FINANCIAL TIMES

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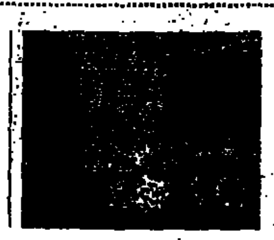
FRIDAY APRIL 9 1999

FT Weekend tomorrow
How high society has lost its appeal for the self-made man



Lessons of Rwanda
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WORLD NEWS

Caribbean banana exporters urge EU to honour deal

Caribbean banana exporters, at the centre of the trade dispute between the US and the EU, say they hope Europe will continue to honour its "legal obligations" and will not dismantle preferential banana import arrangements because of pressure from Washington. The exporters maintain that the Lomé Convention treaty commits the EU to maintaining the preferential market. **World Trade, Page 6**

Greenspan intervenes in row
Alan Greenspan, chairman of the US Federal Reserve, has intervened in the controversial campaign to limit US community lending laws, which has divided Democrats and Republicans. **Americas, Page 7**

IMF denies Thai U-turn
The International Monetary Fund denied doing a policy U-turn in allowing Thailand to swing away from an austerity programme into deficit spending. **Asia-Pacific, Page 8**

WTO takes India to task
The World Trade Organisation has ruled that India can no longer reasonably cite balance-of-payments problems as an excuse for import restrictions. **World Trade, Page 6**

Call for extra Japanese help
Japan's opposition leader urged the government to introduce a supplementary budget to ensure that growth is sustainable amid economic restructuring. **Asia-Pacific, Page 8**

Brazilian probe into judiciary
The Brazilian Senate launched an investigation into corruption in the judicial system and an inquiry into the banking sector. **Americas, Page 7**

Talks on UK withholding tax
City of London bankers and trade associations met the UK Inland Revenue to discuss a possible compromise that would exempt international bonds from the European Commission's plans for an EU-wide withholding tax on income from savings and investments. **Europe, Page 3**

Inquiry into television exports
The UK government launched an inquiry into sales of British television programmes overseas after a report highlighted the difficulties of export sales amid a widening television trade deficit. **Britain, Page 9**

'Red tape' hampering trade
Six out of 10 western companies experience difficulties with customs "red tape", which hampers trade with central and eastern Europe. **World Trade, Page 6**

Airline sues pilots over strike
Iberia, the Spanish airline, is to seek Pta4bn (€24m, $26m) compensation from its pilots' union for costs incurred by strike action over the Easter holiday period. **Europe, Page 3**

Retailers face competition probe
The UK government's fair trade watchdog said it was concerned about potential exploitative practices and a lack of competition in the UK grocery retailing sector, as it referred the industry to the Competition Commission. **Britain, Page 8**

BUSINESS NEWS

Gucci rejects $8.7bn offer from LVMH

Gucci, Italian fashion company, rejected an offer of $85 a share from LVMH, the French luxury goods group, saying conditions attached to the bid were unacceptable. **Companies and markets, Page 15; Lex, Page 18**

Volkswagen, Europe's largest carmaker, appeared to be eyeing a major acquisition after asking shareholders to approve an increase in its authorised capital by 40 per cent. **Europe companies, Page 16**

Canal Plus, French pay television company, has offered to acquire the satellite subscribers of Stream, rival to its Italian Telepiu service, in a deal thought to be worth $110m. **International companies, page 19**

Cap Gemini, Europe's biggest information technology services group, is paying $200m for Beechwood, a US computer services company serving the north American telecommunications market. **International companies, page 19**

Humana, US health management organisation, suffered a fall in shares of more than 30 per cent in early trading after it announced a drastic increase in medical costs. **Companies and markets, Page 15**

Cadbury Schweppes, UK confectionery and beverage group, is confident its planned $1.85bn sale of soft drink brands outside the US to Coca-Cola will proceed despite objections from Australia's competition watchdog. **Asia-Pacific companies, Page 18**

Philips, Dutch electronics group, could make a higher offer for VLSI Technology, Silicon Valley chip-maker, after reaching a standstill agreement on its recent hostile bid. **American companies, Page 17**

Cable and Wireless, UK telecoms group locked in a takeover battle for Japanese international telecoms carrier IDC with NTT, Japan's telecoms giant, could raise its offer if IDC directors do not recommend its bid at a board meeting next week. **Companies and markets, Page 15**

Dickson Concepts, Hong Kong owner of London's upmarket retailer Harvey Nichols and ST Dupont of France, is to move its foreign assets into a private company in a deal worth at least HK$1.53bn ($197m). **Asia-Pacific companies, Page 18**

Sol Meliá, Spanish hotel group, is seeking to expand rapidly in Europe following a controversial restructuring. **International companies, page 17**

Saga Petroleum, Norway's third largest oil company, announced plans to sell up to NKr2bn in assets and trim costs to increase its appeal to potential partners. **Europe companies, Page 16**

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Shifting sands
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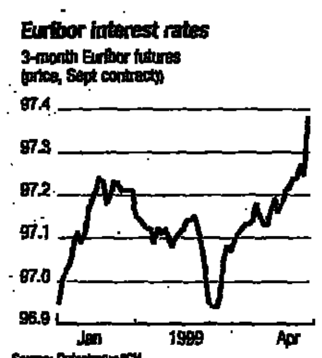
CENTRAL BANK PRESIDENT SEEKS TO STIMULATE ECONOMIC GROWTH IN EUROPE

ECB makes surprise half-point cut in main interest rate

By Tony Barber in Frankfurt and Alan Beattie in London



The European Central Bank last night cut its benchmark interest rate by a bigger than expected half a percentage point.

The cut was the ECB's first such move since the euro's launch at the start of this year and brought the main refinancing rate for the 11-nation euro-zone down to 2.5 per cent from 3 per cent. Earlier in the day, the Bank of England cut Britain's main interest rate by 0.25 percentage points to 5.25 per cent.

The ECB's president, Wim Duisenberg, said the bank's move would stimulate economic growth at a time when business confidence was low and the euro-zone's leading economies had been suffering from the impact of recession and financial turmoil in Japan, south-east Asia, Russia and Latin America.

He said the cut was meant to take observers by surprise, but there would not be any incremental moves from now on. It was "an unexpectedly large fall," he conceded. "But we want to add – this is it." It was undertaken to avoid further market speculation.

The cut was also meant as a signal to politicians. "We hope our goal to [get governments to] pursue a restructuring policy will be given a new incentive from the measures taken today. If they don't do that, monetary policy is no alternative," he warned.

The euro swung wildly in the immediate aftermath of the announcement, rising by half a cent against the dollar and then falling rapidly below $1.08.

"The effect of timing announcements in this way is a lot of noise in the exchange rate," said Tony Norfield, treasury economist at ABN-Amro in London. "It is very silly for the ECB to announce it like this." Mr Duisenberg said yesterday the bank would make future announcements earlier in the day.

Mr Norfield said that in the longer term, the market's conviction that euro-zone interest rates had now troughed should put a floor under the euro and prevent it falling towards the one-for-one level against the dollar. But with heavy resistance against the euro climbing higher, it was likely to remain around its current level in the near future, he said.

The ECB's decision is likely to be welcomed in the US, where officials had been hoping for a European interest rate cut as a contribution to stimulating the world economy.

The ECB announced its rate cut on the same day that newly released figures showed continuing weakness in the German economy, which accounts for one third of the euro-zone's output.

Immediately after the ECB's move, the Swiss National Bank cut its main discount rate to 0.5 per cent from 1 per cent. The ECB also reduced its marginal lending facility rate, at which commercial banks borrow funds at the ECB, to 3.5 per cent from 4.5 per cent and its deposit rate, at which banks place excess funds at the ECB, to 1.5 per cent from 2 per cent.

Bond markets reaction, Page 3
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Zhu Rongji and US president Bill Clinton attending ceremonies at the White House to mark the Chinese premier's visit to the US as trade officials sought to complete a bilateral market access deal to pave the way for China's entry into the World Trade Organisation. Report and Lex, Page 14 Picture: AP

Nato to target Serb 'propaganda' media

By Our International Staff

Nato said yesterday it planned to destroy Yugoslav television and radio facilities, calling them President Slobodan Milosevic's "instrument of propaganda". It is to press ahead with its attacks in spite of the arrival in Belgrade of a Cypriot mediator seeking the release of three captured US soldiers.

In what will be the first sizeable move of allied troops to the region since the conflict began last month, Nato also said it was about to launch Operation Allied Harbour to help Albania cope with its Kosovo refugee population of more than 300,000. Fourteen Nato countries will take part in the operation, which will involve 8,000 soldiers and a mobile headquarters.

Nato stressed the operation was purely humanitarian but there was speculation yesterday that the soldiers could later form part of the planned Nato-led security force to protect refugees returning to Kosovo.

The fate of the mission by Spyros Kyprianou, the acting Cypriot president, to free the US captives was unclear last night. Responding to what he said was a Yugoslav initiative, Mr Kyprianou arrived in Belgrade yesterday hoping to take the US soldiers back to Cyprus with him the same day.

However, Belgrade sources said Mr Milosevic might meet Mr Kyprianou today, but would not free the Americans.

Ruling out any bargaining to get his men back, Mr Cohen said: "We are not going to let Mr Milosevic use these soldiers . . . to cause any cessation of hostilities."

Nato has targeted one or two tv transmitters over the past two weeks. But yesterday, alliance spokesmen confirmed that Yugoslav television and radio installations were now considered main targets since the state broadcaster had been used as an "instrument of propaganda and repression". Serb police have closed all independent Serb broadcasters and sacked the offices of the Albanian language newspaper in Kosovo.

Nato officials in Brussels suggested Mr Milosevic could avert attacks on his broadcast media by agreeing to carry six hours of international programmes a day. This is unlikely.

Confirmation that tv and radio networks are on Nato's list of targets caused consternation among western news organisations with journalists still based in Belgrade. Some use Yugoslav facilities.

Air Commodore David Wilby of Nato military command said improving weather was allowing it both to continue intensifying its air attacks, and to hit more Serbian ground forces in Kosovo.

Reporting by David Buchan in London, Neil Buckley in Brussels and John Thornhill in Moscow.

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S Korea watchdog to investigate Hyundai

By John Burton in Seoul

South Korea's financial watchdog agency is to investigate the Hyundai group for allegedly manipulating the share price of Hyundai Electronics, in the first such probe involving one of the nation's leading conglomerates.

The Financial Supervisory Service, or FSS, alleged yesterday that Hyundai Heavy Industries and Hyundai Merchant Marine spent a total of Won220bn ($180m) last year to boost the share price of Hyundai Electronics in an effort related to its proposed merger with LG Semicon, another big Korean producer of memory chips.

Officials suggested that Hyundai had wanted to improve the financial attractiveness of Hyundai Electronics to influence an official decision on whether it or LG Semicon should have majority control of the merged group. The state-sponsored merger of the two debt-heavy chipmakers was intended to reduce overcapacity in the sector. Hyundai was selected in December to lead the new company.

The FSS said the share price of Hyundai Electronics climbed from Won14,000 in the first half of 1998 to Won32,000 in the second half. It closed at Won25,900 on Wednesday. Share prices for 16 of Hyundai's 21 listed subsidiaries fell yesterday after the FSS investigation was announced.

If state prosecutors decide to act on the FSS allegations, minority investors might file a suit against Hyundai Heavy Industries, which has become a target of Korea's main shareholder activist group.

It claims that profitable Hyundai Heavy, Korea's biggest shipbuilder, is subsidising weak units of the Hyundai group – including Hyundai Electronics – at the expense of shareholders.

Hyundai denied that its purchase of Hyundai Electronics shares was related to its takeover of LG Semicon. It said the action reflected an investment "in a then-undervalued company".

Hyundai also pointed out that most of the shares were bought last summer before Hyundai and LG agreed to merge their semiconductor units in September.

Analysts said Hyundai's action might be related to an effort by all leading conglomerates to strengthen cross-holdings among subsidiaries and protect them against takeover bids after the government last year eased rules on mergers and acquisitions.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	10,159.98	(+74.65)
NASDAQ Composite	2,562.05	(+17.62)
Europe and Far East		
CAC40	4,330.70	(+12.66)
DAX	5,068.75	(+16.48)
FTSE 100	6,437.9	(-35.3)
FTSE Eurotop 300	1,284.57	(+0.37)
Nikkei	16,846.69	(+292.19)
US LUNCHTIME RATES		
Federal Funds	4.75%	
3-mth Treas Bills: Yld	4.39	
Long Bond	97 1/32	
Yield	5.45%	
OTHER RATES		
UK: 3-mo Interbank	5¼%	(5¼%)
UK: 10-yr Gilt	111.11	(111.22)
Euro Euribor	2.895%	(2.900%)
Germany: 10 yr Bund	98.76	(98.81)
Japan: 10 yr JGB	102.869	(102.191)
NORTH SEA OIL (Argus)		
Brent Dated	$13.85	(14.145)

GOLD		
New York: Comex		
(Apr)	$280.7	(280.3)
London:	$279.95	(280.05)
DOLLAR		
New York: lunchtime		
£		
€	0.9279	
SFr	1.4691	
Y	120.68	
London:		
£		
€	0.9230	(0.9263)
SFr	1.4718	(1.4782)
Y	120.930	(121.120)
Tokyo Close		Y 121.35
EURO (London)		
$	1.0834	(1.0796)
£	0.6726	(0.6767)
Y	131.016	(130.761)
SFr		

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.85	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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EU to draft regional stability plan

By Emma Tucker in Luxembourg, Stefan Wagstyl in Tirana and Robert Wright in Skopje

European Union foreign ministers yesterday pledged to draw up a new stability plan for the countries of south-east Europe aimed at bringing lasting peace and prosperity to the region.

The plan, agreed at a specially convened meeting in Luxembourg, put a strong emphasis on the long-term goal of EU and Nato membership for all countries in the Balkans.

Joschka Fischer, the German foreign minister, said it was a commitment "on behalf of us all" that the Europe of wars and ethnic hatred was something of the past.

"We are looking forward to a Europe of stability, including the Balkan countries, which have to be part and parcel of Europe's future," he said.

A German statement, warmly endorsed by the other member states, said long-term stabilisation in the region involved a "clear and repeated commitment on the part of the EU that the countries in the region have a prospect of acceding, even if the time of accession cannot yet be determined."

It also held out the prospect of eventual Nato membership for Balkan countries as "one of the most important incentives for reform for the countries of south-eastern Europe".

Meanwhile, Sadako Ogata, the United Nations High Commissioner for Refugees, said yesterday that her chief concern was not for ethnic Albanian Kosovars in refugee camps but for those still in Kosovo.

"I am sure their situation is dire," she said, speaking as aid workers continued to hear stories of atrocities from refugees who had left Kosovo for neighbouring countries. She said she could not verify one of the more disturbing recent claims – that ethnic Albanians in Kosovo were being used as human shields. But she added that if it were true she condemned it in the strongest possible terms.

Mrs Ogata's officials also expressed concern about the whereabouts of several thousand refugees who were among those camping in no man's land at Blace, on the Kosovo-Macedonian border, before a round-up by the Macedonian authorities early on Wednesday.

Nicholas Morris, the UNHCR's special envoy for the former Yugoslavia, said that of an estimated 60,000-70,000 refugees at Blace, 50,000-55,000 had been taken to a nearby Nato camp or to Albania and other host countries. But he said he understood that others had been turned around and sent back to Kosovo. "Of course we have the greatest concern for people who were expelled into Kosovo." By late yesterday, the missing refugees had not been located.

Mrs Ogata was due to visit Macedonia today and was expected to raise the issue of Macedonia's treatment of refugees with the government in Skopje.

Earlier in Skopje, officials of the Macedonian government said no refugees were unaccounted for and accused Emma Bonino, EU commissioner for humanitarian affairs, of giving out "disinformation".

> 'Such deportations are something that was done in the second world war'

In a further sign of the growing gulf between Macedonia and international organisations, Tikhomir Ilievski, a senior official at the Macedonian foreign ministry, told BBC television on Wednesday night the air strikes by Nato had provoked the refugee influx towards Macedonia.

Mrs Ogata said operations in refugee camps in Albania and Macedonia were now going well. She defended her staff against criticisms that UNHCR had reacted too slowly to the crisis saying nobody had predicted the scale of the expulsion. "Such deportations are something that was done in the second world war and I thought that in the last 50 years people had learnt better."

Meanwhile, the Albanian finance ministry has estimated the cost to the government of the Kosovo crisis at $220m, including $130m in extra costs to care for refugees and some $90m in lost tax revenues due to the disruption of normal commercial life. The estimate is based on 415,000 refugees staying in Albania until the year-end, compared with about 300,000 now in the country, including 600 who arrived yesterday from Montenegro. Western diplomats said the financial figure seemed high, but donor countries would help.

Milosevic's regime 'beginning to break'

By Our International Staff

Alain Richard, French defence minister, said yesterday the regime of Slobodan Milosevic, the Yugoslav president, was "beginning to break" under the weight of the Nato air offensive.

The alliance kept up the pace of its attacks, with 400 sorties flown by aircraft in the 24 hours to yesterday afternoon. It said improving weather was allowing it to hit more Serbian forces in Kosovo. Nato published photographs of a military convoy and tanks destroyed on the ground.

Yugoslav television and radio facilities were added to Nato's targets on the grounds they were being used as an "instrument of propaganda and repression". Nato officials said Mr Milosevic could avert attacks on his broadcast media by carrying six hours of uncensored western news broadcasts a day.

General Jean-Pierre Kelche, head of the French joint chiefs of staff, said the number of Serb targets attacked had increased to over 140 from 50 to 60 in the initial phases.

Mr Richard and Gen Kelche told a press conference the attacks had eroded Belgrade's capacity to sustain its military machine. Air defences had been seriously weakened. Missile systems still operative were being activated at the last moment to avoid detection, reducing their ability to be properly guided.

Among targets hit on Wednesday night was a government building in central Belgrade, which Yugoslav army officials said had been empty for a year and had not been used by the military for over three years. Lieutenant-Colonel Branko Vasilijevic said the building had been put up for sale by the Serbian government.

Reporters allowed to wander around its ruins saw that one or more missiles had sheared through several storeys and exploded in the basement below a courtyard inside the complex. The rooms that reporters could reach were bare, with windows and doors blown out.

The blasts blew out windows and damaged ceilings in a nearby hospital for cerebral diseases.

Nato denied, however, that it had caused the extensive damage to civilian buildings in Pristina, the Kosovo capital, shown on television on Wednesday.

Air Commodore David Wilby, a Nato military spokesman, said aircraft had attacked military targets around Pristina and a special police headquarters in the city but had not caused the "widespread and random damage which we believe has been orchestrated by Serbian forces".

The French defence ministry insisted care was being taken to avoid civilian casualties. Bombing at night with heavier bombs was at times aborted in favour of riskier but more accurate daylight raids. The ministry showed film of a daylight attack on an unnamed Serb barracks, which detailed cars moving on a nearby road as the target barracks was blasted in two bombing runs.

However, it continued to be difficult to hit Serbian ground forces in Kosovo. Air Marshal Sir John Day, deputy chief of Britain's defence staff, said 10 Harrier jets had been flying on Wednesday but only one had been assigned a target, a military vehicle compound which it had hit.

Mr Richard said he saw no reason to change tactics but did not rule out eventual use of ground troops. Nato's policy is that troops will only be sent into a "permissive environment" – in other words, they will not fight their way into Kosovo.

However, yesterday's Nato decision to send 8,000 troops to Albania in a new operation called Allied Harbour, to assist with humanitarian relief for the Kosovar refugees, was seen by military experts as further preparation for a Nato military operation within Kosovo to secure the refugees' return to their homes.

France said it had decided to send four more Mirage 2000-D fighter-bombers. It has already deployed the largest non-US contingent of aircraft, equivalent to nearly half its total attack force.

Reporting by Robert Graham in Paris, Guy Dinmore in Belgrade, Neil Buckley in Brussels and Alexander Nicoll in London

Polls show rise in public support for ground troops

Public support for the use of ground troops in the Kosovo war is gradually increasing, according to opinion polls conducted in the US and Europe, **writes Helen Bennett from London.**

Results of a Washington Post/ABC News poll reported yesterday suggest that a majority of Americans think the US should use ground troops "to remove Milosevic from power".

Nearly six in ten (57 per cent) said they would favour the use of US and allied ground troops to end the conflict in Kosovo if the on-going air campaign fails to force Milosevic to the peace table.

Increased concern about the plight of the refugees is hardening people's attitudes, reports the paper. However, the poll suggests that the support for ground forces would decrease sharply if there were American casualties.

The latest New York Times/CBS News poll shows a majority 52 per cent supporting President Bill Clinton's policy in Kosovo but there is caution about the commitment of ground troops. More said they opposed the use of ground troops (48 per cent) than those supporting the idea (46 per cent).

A USA Today poll on the Kosovo involvement carried out this week shows that while the majority are in favour of US participation in the crisis (58 per cent), those supporting and opposing the deployment of ground troops are just neck and neck at 47 per cent. However, this is an increase in support since the last poll on March 31.

In the UK, a Sunday Times poll reported this week showed a majority (66 per cent) in support of sending in soldiers as part of a Nato force. Public backing for the Nato air strikes is now 75 per cent, compared with 69 per cent a week ago.

In France, the newspaper Le Journal du Dimanche found this week that a majority of respondents (58 per cent) backed the introduction of French ground troops in Kosovo.

Bombing costs present allies with hefty bill

By Andrew Balls in London

The human cost of the Kosovo crisis is incalculable. The economic cost of Nato action against Serbia, and the cost of humanitarian aid for refugees displaced from Kosovo, is at present a little easier to determine.

The bulk of the costs so far has been borne by the US. Most of the cruise missiles are American, as are two-thirds of the aircraft.

There are no clear rules for burden-sharing across the Nato countries, and other interested parties, during conflicts. The costs of the Gulf war were allocated on an *ad hoc* basis. The US spent $61bn in the Gulf war, and was compensated for all but $7bn of this by interested parties that did not make a military contribution, largely Kuwait, Saudi Arabia, Germany and Japan.

Little more than a rough estimate of the cost of the Kosovo conflict is possible. Aside from the unpredictability, costing a war also raises complicated accountancy questions, such as whether to value munitions at acquisition or replacement cost.

With the offensive restricted to air attacks on Kosovo, Lehman Brothers, the US investment bank, estimates that one month's bombing costs approximately $3bn.

Lehman Brothers makes some heroic assumptions to come up with this tentative estimate of the incremental cost, incurred on top of usual military expenditure by the Nato governments. They assume that:

● Nato launches 30 cruise missiles per day. Cruise missiles cost $1m each: the total cost is $900m;

● Nato flies around 150 aircraft sorties per day, with each sortie firing one missile or dropping one bomb, each costing $100,000, up to a total of about $500m;

● Nato loses 20 aircraft, costing on average $35m. (The only aircraft shot down so far, an F-117A Nighthawk stealth fighter, costs around $45m). This is a total cost of $700m;

● 30,000 military personnel are deployed at a cost of $800m.

On this basis, Lehman Brothers calculates what it thinks is the upper limit for one month's aerial action – $3bn. However, although this calculation prices in the cost of ordinance, it does not take into account additional costs from flying in anger.

During peacetime, military aircraft might fly an hour a day. In the present conflict some are flying 4-5 hours. This means extra fuel and maintenance.

"Lehman Brothers have underestimated the costs. For a three-month air campaign, $20bn is a reasonable starting-point," said one military analyst.

Spread across the Nato countries, the economic cost of air attack is still not that great. Several months' bombing would have little impact on government budgets. There would be little effect on interest rates or financial markets.

Moreover, in past conflicts, defence departments have paid for a good deal of conflict costs by cutting back on other non-essential military expenditures, such as training exercises and routine staffing in non-conflict areas.

However, if Nato decides that air strikes are not enough and sends in ground troops, costs will rise dramatically. The total cost of the Gulf war was $102bn. This included six weeks of aerial force, and having 600,000 ground troops stationed in the area for six months. Although actual ground fighting lasted less than one week, a large part of the costs in the Gulf war were the result of using ground forces.

Uncertain military costs are only part of the story. The humanitarian costs of providing basic necessities for refugees dwarfs the cost of air strikes. If the aim of the Nato campaign is to repatriate refugees and protect Kosovo Albanians from the Serbs, the reconstruction of Kosovo and peacekeeping troops will come with a heavy price tag.

According to the United Nations World Food Programme, providing three months food for 650,000 refugees costs in the region of $240m. This is before transport costs for the food. Then there are the costs of shelter and healthcare. According to the United Nations High Commissioner for Refugees, although these infrastructure costs will be substantial, there are no estimates yet of total cost.

"We have not had an experience like this in Europe since the second world war," said Michael Williams of the UNHCR. In Bosnia, very few displaced people returned to their homes.

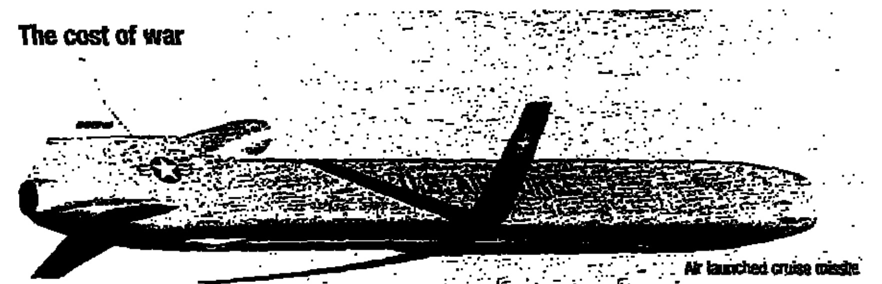
The costs of repatriation and rebuilding Kosovo will be high. Moreover, Kosovo, whatever its political status, would be viable only if there was a "Balkan-Marshall plan" for Kosovo, Albania, Macedonia and Montenegro, Mr Williams said.

According to Lehman Brothers' estimate, re-housing 2m Kosovo Albanians and providing them with subsistence income for a year could cost as much as $12bn. They assume that, even if military hostilities end after a month, virtually all 2m displaced people will have to be re-housed at a cost of $20,000 for a four-person family, a total of $10bn.

They also assume that for a further year, the Nato countries would provide a quarter of the previous gross domestic product per head in the region – $5,000 – making a total of $2.5bn.

However, the Lehman Brothers' calculation excludes the cost of reconstructing infrastructure damaged during the war – roads, public buildings, telecommunications and utilities.

The cost of war



United Nations peacekeeping operations

	Start of operation	Cost to 1997/8 ($m)	Budget 1998/9 ($m)
Truce supervision organisation (Middle East)	1948	532	27
Force in Cyprus	1964	928	45
Disengagement observer force (Israel)	1974	716	35
Interim force in Lebanon	1978	2,826	143
Iraq-Kuwait Observer Mission	1991	415	52
Mission in Bosnia and Herzegovina	1995	308	190
Observer mission in Angola	1997	135	46
Mission in the Central African Republic	1998	23	29

Source: International Institute for Strategic Studies

20th Century wars* (in1995 $bn)

Conflict	Cost
First World War	2,850
Second World War	4,808
Korean War	340
Suez War	13
Vietnam War	720
Arab-Isreal 6-Day War	3
Yom Kippur War	21
Afghanistan War	116
Iran-Iraq War	150
Falklands War	5
Gulf War	102

* Estimated incremental costs of major parties in selected international conflicts

European companies open up

By Jane Martinson, Investment Correspondent

Europe's largest companies are becoming more shareholder-friendly by providing more information in a bid to attract funds from US and UK investors, according to a survey to be published today.

The study of 168 of Europe's largest companies by Russell Reynolds, the headhunting firm, found that they were increasingly adopting Anglo-American governance standards as their businesses became more global. This included greater disclosure about boards and directors as well as increasingly independent non-executive directors.

Obvious examples were provided by companies that have merged or taken over US groups, said David Shellard, head of London directors' practice for Russell Reynolds. "DaimlerChrysler knows it has to perform to the highest global standards," he said. "The highest German ones are no longer enough."

However, the study of the 25 largest publicly held companies in seven European countries revealed large differences between companies as well as between European boards and their Anglo-American counterparts.

None of the authorities in the seven countries surveyed – France, Germany, Italy, the Netherlands, Spain, Sweden or Switzerland – force companies to provide information about the pay of individual directors. Only Sweden provided information about the number of shares held by directors and pay in total, an issue which attracts a great deal of interest in the US and UK.

The little information disclosed about non-executive directors revealed big discrepancies in average pay levels. In Spain and Germany, annual fees of more than $97,000 are paid whereas in Holland, the average level is $39,066. This discrepancy could reflect varying levels of responsibilities.

The survey found little information about the background of non-executive directors or whether they served on any other boards.

The report said that such information is increasingly demanded by US and UK investors.

However, it forecast increased pressure from European shareholders for greater information as they become unwilling to continue to vote directors on to a board with inadequate information.

Mr Shellard said: "Historically, European boards were viewed as having limited power to really influence corporate policy and action. If they are to compete effectively for access to global capital, European corporations will need to become more open and adopt governance practices favoured by institutional investors worldwide."

US and UK investors have invested much more money in continental European shares over the past few years, partly in order to diversify holdings.

There were 44 companies in the survey with at least one female director. None of the Dutch, French or German boards had any female directors while Forenings-Sparbanken, a Swedish company, topped the 168-strong list with four female directors.

There was relatively little difference in the ages of boards. German boards contained the oldest directors, with an average age of 60.4, whereas Swedish boards were the youngest with an average age of 56.6.

For information on 1999 European Board Practices Survey slaroche@russreyn.com or Sally Laroche 001 212 351 2000.

Information disclosed in company materials

	Board size	Chairman/ CEO	Director age	Director compensation (aggregate)*	Director compensation (individual)	Director equity
France	Y	Y	Y	Y	N	N
Germany	Y	Y	Y	Y	N	N
Italy	Y	Y	S	S	N	N
Netherlands	Y	Y	Y	Y	N	N
Spain	Y	Y	S	Y	N	N
Sweden	Y	Y	Y	Y	N	Y
Switzerland	Y	Y	Y	S	N	N

Y=yes N=no S=sometimes * Often included executive compensation and fees not related to board service

Source: Russell Reynolds

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EUROPEAN PARLIAMENT FORMER ITALIAN PM 'MUST GIVE UP POLITICAL COMMITMENTS'

Prodi's ambitions questioned

By Haig Simonian

The smooth transition of Romano Prodi from former Italian premier to future European Commission president ran into difficulties yesterday following strained meetings with representatives of the biggest groups in the European parliament.

The differences centred on Mr Prodi's intention to stand for a European parliament seat in elections in June.

Axel Schäfer, spokesman on institutional issues for the Socialists, the parliament's biggest grouping, said Mr Prodi could not become Commission president unless he gave up all his other political commitments. "It is simply unimaginable that the future Commission president should also be a candidate for election to the European parliament," he said. "Any active political role must be ended".

Mr Prodi has said he would renounce his European parliament seat once confirmed as Commission president.

While there is no legal obstacle to a Commission president being a European parliamentary candidate (but not a member), the Socialists argued even candidacy was morally and politically unacceptable.

Pauline Green, Socialist group leader in the parliament, said the two roles were incompatible. "There's a big task to be done." Mr Prodi's determination to stand for parliament means he may face difficulties when MEPs vote on his appointment as the next Commission president at the end of this month or in early May.

He could face a second grilling in July, when the parliament will meet again to confirm the president and the 19 other commissioners.

The lengthy approval process means the new Commission may not be in place until the autumn.

Participants said Mr Prodi defended his plans and appeared unwilling to back down, as he saw no incompatibility or potential conflict of interest.

However, one person present said Mr Prodi had appeared taken aback by the degree of hostility to his plans, and had said that there were still issues to be discussed and that he might yet change his mind about remaining a European parliamentary candidate.

Mr Prodi was nominated as the next Commission president by the European Union's heads of state and government in Berlin last month after the resignation of the entire Commission.

The move followed a report accusing the Commission of serious errors, including nepotism and losing control of the EU's vast bureaucracy.

Iberia seeks redress over strike

By Tom Burns in Madrid

Iberia, the Spanish airline, is to seek Pta4bn (€24m, $26m) compensation from its pilots' union for costs incurred by strike action during the Easter holiday period.

The law suit is unprecedented in Spanish labour relations and signals a new tough attitude by Iberia's management in the run-up to the carrier's privatisation. Sepla, the union representing Iberia's 1,200 pilots, said yesterday the move was a provocation and that it would decide next week on further stoppages.

The worsening industrial dispute comes two months after British Airways and American Airlines said they would jointly buy 10 per cent of the carrier. BA, which will acquire a 9 per cent stake, will appoint two directors to Iberia's 12-member board and will be represented on all board sub-committees.

Angel Mullor, Iberia's managing director, said the airline's passenger reservations had fallen 13 per cent as a result of the strike. Iberia would now have to revise initial forecasts that it was on course to lift its 1998 pre-tax profits of Pta41.7bn by 30 per cent this year.

He also warned that the carrier's deteriorating image could negatively affect its share value when it is listed later this year. The government plans to sell some 30 per cent of Iberia to domestic institutions this month and will place more than 60 per cent of the airline on the market in a public offering that is provisionally scheduled for October.

The dispute is over alleged back pay claims and fringe benefits but Mr Mullor has indicated that the real issue centres on attempts by Sepla to vet the intake of new pilots and control key management decisions.

"The management respects Sepla for what it is, a union," Mr Mullor wrote in a newspaper article earlier this week. "Not as if it were [Iberia's] board which is what it would like to be and what, in the past, it has occasionally been allowed to be."

ECB RATE CUT DECISION COULD BOOST FLEDGLING CORPORATE SECTOR

Bond markets react positively

By Edward Luce and Arkady Ostrovsky

Europe's bond markets reacted positively to yesterday's rate cut by the European Central Bank although it came too late in the day for its full impact to be felt. The reduction in rates – the first since the single currency was launched – is expected to accelerate the rapid development of Europe's fledgling corporate bond markets.

"Interest rate cuts are good for liquidity and this will encourage borrowers to issue bonds in euros," said Martin Egan, an official at Credit Suisse First Boston in London. "Its effect should also be a further boost to the recent stabilisation of global financial markets."

By making it less attractive to hold money in short-term bank deposits, the cut is expected to encourage European investors to switch their cash to longer-term and higher-yielding assets such as government bonds.

However, the impact on government bond yields yesterday – with the yield on the two-year German government bond falling most sharply (in line with a corresponding rise in its price) – indicates that the cut will also affect the corporate bond markets, where yields are higher.

A number of leading European companies have visited the bond markets for the first time since the launch of the single currency. By boosting the overall pool of funds available for such assets, the ECB's action should encourage more companies to tap the markets. In addition, the rate reduction is expected to have a positive impact on Europe's economic growth potential.

Analysts are less optimistic about the effect of the ECB cut on the swaps market in euros. A liquid and lively swaps market – which involves swapping fixed for floating-rate money – is considered vital to the development of a sophisticated capital market.

However, the development of a liquid euro-swaps market is hampered by the fact that there is no clear benchmark for the fixed rate portion of the contract in Europe. In the US, it is government Treasury bonds. But in Europe the AAA-rated bond market is fragmented between different government bond markets. "Arbitrage in euros is still very difficult," said Eden Riche, head of the bond syndicate at Morgan Stanley in London. "If the rate cut encourages the markets to lock themselves into the lower rate of interest then it could boost swaps [in spite of the fragmentation of the market]."

● The ECB governing council will hold its twice-monthly Thursday meetings earlier in the morning in future and make announcements at 1200 GMT, Wim Duisenberg, president, said yesterday.

Duisenberg: inflation risk low

Cut aimed at stimulating euro-zone economy

By Tony Barber in Frankfurt

The European Central Bank's intention in cutting interest rates yesterday was to stimulate the euro-zone economy at a time when growth is low and there is no serious risk of inflation, the ECB's president, Wim Duisenberg, said yesterday.

"The decision taken today keeps monetary policy on a longer-term stability-oriented course and, by doing so, contributes to creating an economic environment in which the considerable growth potential of the euro area could be exploited," Mr Duisenberg said.

However, he reminded euro-zone governments of the ECB's view that they must maintain strict fiscal discipline and reform over-regulated labour and goods markets if they wanted lasting economic growth and lower unemployment. "Those responsible for other policy areas are urged now even more to take the necessary steps to improve longer-term growth prospects for the euro area through strictly and decisively adhering to the aims of the [European Union's] Stability and Growth Pact and through convincing structural reforms in the economy."

Mr Duisenberg said the ECB's policymaking Governing Council had noted at its last meeting in March that overall growth prospects in the euro-zone had deteriorated towards the end of last year. "In the meantime, official data confirm that real GDP growth in the euro area weakened in the fourth quarter of 1998, when compared with the previous quarter. The weakness is particularly apparent in the manufacturing sector, where confidence deteriorated further," he said. The ECB president also noted that the most recent data on employment in the 11-nation euro-zone pointed to "a certain deceleration" in net job creation in the last three months of 1998.

Mr Duisenberg said the Governing Council had taken account of the fact that the ECB's consumer price inflation index had for several months registered an annual rate of increase of less than 1 per cent. "Even though some increases are likely to be seen in coming months owing to the reversal of energy price trends, the more lasting effect on the outlook for future prices comes from the economic environment," he said.

"Indeed, reflecting the economic environment, many projections for future consumer price increases in the euro area have been revised downwards," he said, adding that it appeared unlikely that consumer prices would grow out of line with the ECB's definition of price stability – an annual rate of less than 2 per cent.

Mr Duisenberg indicated that the Governing Council's decision to cut rates had also been influenced by a slowdown in the rate of M3 money supply growth in February. He noted that the ECB's three-month moving average of M3 growth, covering the period from December to February, was 5.1 per cent, higher than the bank's so-called reference value of 4.5 per cent.

UK looks at compromise over withholding tax

By George Graham in London and Emma Tucker in Luxembourg

City of London bankers and trade associations met yesterday with the UK Inland Revenue to discuss a possible compromise that would exempt international bonds from the European Commission's plans for an EU-wide withholding tax on income from savings and investments.

But financial institutions remain concerned about the withholding tax, and believe the compromise proposal would at best limit the damage it would inflict. "If you have a fundamentally flawed directive, smoothing off the rough edges doesn't stop it being flawed," said one City official.

The compromise now being explored would involve distinguishing between institutional and retail investors in international bonds by exempting issues whose minimum holding is more than €40,000 ($43,000). The tax directive's principal goal is to cut down on tax evasion by retail investors.

Although the original idea emanated from the bond industry – the €40,000 cut-off is drawn from an existing EU directive on public offerings of securities – many in the City still have grave misgivings about its workability. Some UK government officials, too, believe a cut-off would fail to make a clear enough boundary between wholesale and retail investors. Bond houses also demand a blanket exemption for existing international issues, where special redemption clauses could otherwise be triggered by the new tax. This would require a different definition.

Other EU member states have not dismissed the idea of excluding the wholesale market for international bonds, according to EU diplomats, but that partly reflects a lack of understanding by other governments of the issues at stake.

UK officials have been told to continue work on the idea of a threshold, and to focus particularly on the definition of a wholesale transaction.

Although the withholding tax is expected to be discussed by EU finance ministers at an informal meeting in Dresden next week, the proposal will not be examined formally by officials before next month.

Germany, which holds the presidency of the EU, will be pushing for political commitment to continue work on the proposal. Finland, which takes over the presidency in July, could then continue the negotiations.

The withholding tax proposal requires unanimous approval, but the British government is eager to find some solution that would avoid the need to use its veto. However, the UK is no longer completely isolated, since Luc Frieden, Luxembourg's budget minister, has now said his country will refuse to discuss the issue.

Momentum behind the proposal could fade if Mario Monti, the commissioner who drew up the plans, is not reappointed to his current post. Mr Monti has pushed the proposal relentlessly, putting pressure on the UK not to veto the plans by linking acceptance of a pan-European withholding tax to plans to liberalise Europe's pensions investment market.

That lever has now disappeared, as new pensions legislation has been delayed following the resignation of the European Commission and its subsequent commitment not to undertake any new political initiatives until a new college is appointed.

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NEWS DIGEST

GERMAN UNEMPLOYMENT

Small drop highlights sluggishness of economy

German unemployment dropped just 3,000 last month to 4.073m after seasonal adjustment, highlighting the sluggishness of the country's economy. Although continuing a downward trend, the fall was lower than expected and followed a 6,000 drop in February. It came despite more job-creation schemes for the young by the Bonn government.

Seasonally-adjusted unemployment peaked in October 1997 at 4.52m but was still last month equivalent to 10.5 per cent of the workforce.

The unadjusted jobless total, which receives more attention in Germany, fell by 176,400 to 4.288m in March. Bernhard Jagoda, president of the federal labour office, said the weakness of economic growth had prevented a steeper drop and, after taking account of seasonal influences, the jobless total remained practically stable.

The centre-left government of Gerhard Schröder, chancellor, has set tackling unemployment as its highest domestic priority.
Ralph Atkins, Bonn

● Ludolf von Wartenberg, secretary general of the Association of German Industry (BDI), said yesterday that it was essential that the European Union fix a date for eastern enlargement. Mr Wartenberg said in a lecture in Warsaw that the enlargement process was bringing benefits for German industry and that his BDI will oppose efforts to delay the process. **Christopher Bobinski, Warsaw**

ANDREOTTI TRIAL

Call for 15-year jail term

The marathon trial of Giulio Andreotti, the former Italian prime minister, yesterday moved towards its close when a prosecutor in Palermo called for him to serve a 15-year jail sentence for association with the mafia.

After three-and-a half years of public hearings Roberto Scarpinato, one of the leading prosecutors in the case, said Mr Andreotti deserved 12 years in jail for mafia association and three more because his links to "Cosa Nostra," the Sicilian organised crime group, had gone on for so long. Andreotti, seven times prime minister, turned 80 earlier in this year. Defence lawyers are due to make their final statements on May 18. **James Blitz, Rome**

SWEDEN-DENMARK LINK

Tickets plan irks consortium

The imposition of VAT on tickets to cross the 17km bridge and tunnel link between Sweden and Denmark has forced the company building and running the project to add another three years to its loan repayment plans, it will announce today.

The Oresund consortium which is owned 50/50 by the Swedish and Danish governments said it would be impossible to add 25 per cent VAT to planned ticket prices as this would make the train and road link uncompetitive with ferry travel which is exempt from VAT.

The Oresund consortium, which had debts of DKr13.3bn ($1.9bn) at the end of 1998, had planned to complete loan repayments 27 years after the opening of the link but it now expects this to take 30 years. The link is to be opened next year on July 1. **Nicholas George, Stockholm**

FISCAL PLAN GOVERNMENT HOPES TO SATISFY MARKETS BY RAISING REVENUES, TACKLING PUBLIC DEBT AND REDUCING THE BUDGETARY DEFICIT

Lebanese business community welcomes budget

By James Schofield in Beirut

Lebanon's state budget, proposing a wide range of taxes and other fees and charges, and a lower budget deficit, was well received yesterday by the country's business community.

The General Workers Confederation, representing Lebanon's 350,000-strong labour force, immediately rejected a proposed increase in the cost of petrol and threatened to stage demonstrations to oppose it. But politicians expected the draft budget to be passed in parliament without significant amendment.

"The markets have been waiting for a budget that will raise revenues, tackle the public debt and budget deficit," said Henry Azzam, chief economist and managing director of Middle East Capital Group.

"The markets will like this budget, even though the Lebanese won't."

The budget draft should have been put forward late last year but was delayed by the resignation in November of the government of Rafiq al-Hariri, the prime minister.

The new government has set itself a target of reducing the budget deficit from 43.3 per cent in 1998, according to official figures, to 40.2 per cent.

The deficit is one of the highest in the world on a per capita basis and a large contributor to a public debt estimated at $17bn last year.

The new budget predicts a 5.4 per cent increase in public spending, from $5.255bn in 1998 to $5.544bn. Revenues are projected to rise from $3bn last year to $ 3.33bn. The expenditure target also includes an increase of $464m in servicing the public debt, $352m to cover a retroactive public sector wage increase and $304m more for investments.

Analysts believe that spending may be well within the target set while the new fees and charges may generate more revenue than predicted.

Marwan Barakat, head of the economic research unit at Banque Audi, a leading Lebanese bank, said the government had included all relevant data in the budget, which he praised for its transparency. "A budgetary deficit of 40 per cent is a good figure, because it's either going to be met or its going to be outperformed."

Economists said investors were also eagerly awaiting details on the government's new five-year fiscal reform plan.

The plan is now with the government.

Makram Sader, general secretary of the banking association and one of the report's authors, was confident it would put the Lebanese economy on a strong and sustainable fiscal base.

Mr Sader said the programme called for corporatisation of public utilities, restructuring of public debt and a new tax system.

Among other revenue generating measures, the budget proposes a 5 per cent rise in corporate tax rates from a flat rate of 10 per cent to a new rate of 15 per cent.

It also includes a progressive tax rise on individuals. But people earning $670 a month or less and families with three or more children will be tax exempt.

It levies higher taxes on imported, luxury or non-essential goods, including liquor, beer, imported flowers, cigarettes and ready-to-wear clothes. The budget also imposes an additional levy of four US cents on a minute of call by cellular telephone.

Controversially, it includes a higher tax on petrol. Previous efforts to raise the price of petrol have generated vociferous opposition. But analysts believe that this time the Lebanese population is prepared to sacrifice cheap petrol to put the economy on track.

Nazareth mosque plan fuels religious rift

By Judy Dempsey in Jerusalem

Relations between Nazareth's Christian and Moslem communities yesterday further deteriorated after the Israeli government proposed building a small mosque on front of the city's Church of the Annunciation in a belated effort to resolve the dispute but also woo Israeli Moslem votes for next month's election.

The proposal, which Islamist leaders said did not go far enough unless the mosque was built immediately and allocated more space, was expected to deepen the rift between Christians and Moslems. The recent Easter and Christmas celebrations were marred by violence between both communities, with city authorities complaining that the police stood on the sidelines while Christian shops were ransacked.

The proposal runs counter to an earlier commitment by the Israeli Lands Authority, the state body which owns 93 per cent of all land. It had agreed to hand over to the city municipality a plot of land on front of the church as part of a plan to build a square to accommodate pilgrims during the millennium. Municipal officials in Israel's largest Palestinian city said yesterday it was now reneging on that agreement.

Micha Goldman, opposition Labour party member of the Knesset (parliament) interior affairs committee, yesterday accused Benjamin Netanyahu's government of being "two-faced" and doing little "to quell the hatred." Likud party activists as well as officials from the Shas ultra-Othodox party have been making promises to the Moslem community in an effort to gain votes in next month's parliamentary and premiership elections.

Rwanda tries to bury the horror

Five years on, the country still has a long way to go to recover from Africa's worst genocide, writes **Mark Turner**

Five years ago this week two missiles brought down a Falcon 50 presidential jet as it approached Kigali, the Rwandan capital. Among those on board was Juvenal Habyarimana, the Rwandan president, and symbol of hardline Hutu majority rule.

What ensued was perhaps the most ghastly series of events since the Holocaust. In a well-organised killing spree lasting 13 weeks, more than 500,000 ethnic (minority) Tutsis and moderate Hutus were slaughtered, leaving the tiny central African state in a state of moral and economic shock.

Five years on, the country is still haunted by the events, trying to come to terms with exactly how neighbours and friends could, at the behest of a murderous and paranoid regime, abandon the most basic tenets of human morality.

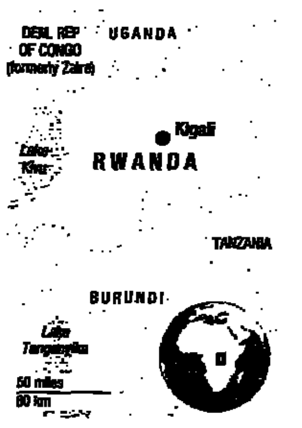
The United Nations, the US, France and Belgium are similarly asking themselves why, when faced with substantial forewarning of the impending horrors, they did nothing to stop the slaughter.

Rwandans yesterday marked the genocide by giving 20,000 victims a proper burial in Gicongoro prefecture, the site of a massacre.

Although a gruesome affair to outside eyes, the ceremony is seen as an important marker of events that should never be forgotten, and helps bring some degree of closure to the victims' families.

"There are many steps which have to be taken," said Esther Mujawayo, who counsels women survivors of the genocide. "But this is one of them: I have seen people make big progress once they see the bodies and bury them."

But many of the fundamental questions facing this tiny state remain unanswered: crucially, how does a minority subject to a genocide develop a fair democratic system, while at the same time ensuring its long-term survival?



Last week, Rwanda took an important first step, when more than 80 per cent of the country turned out in the pouring rain to cast their votes for grassroots leaders. Hutu lined up alongside Tutsi, and elected people according to merit not ethnic origin, according to observers and participants.

"The elections were very democratic: both ethnic groups voted for representatives from the other. That gave me a lot of hope," said Jean de Dieux Kayiranga, a Tutsi now working for the United Nations Development Programme, who saw his entire family killed during the genocide.

The government says it intends to move on to national elections, but it is still unclear when. The justice ministry is drafting a new constitution, which will eventually be subject to country-wide consultations and a referendum. But there is little indication what form it will take: whether a multi-party system, or a Ugandan-style 'no-party' movement.

Officials say that one possible model is Switzerland – another tiny, multi-ethnic, landlocked country.

Survivors warn, however, that the country still has a long way to go before reconciliation can be achieved.

Commentators say that genocide suspects have shown little remorse, and that the justice system – hampered by a huge lack of capacity – is proving slow. About 135,000 people are still in jail, and barely 1,000 cases are processed a year.

Furthermore, the International Tribunal in Arusha has little to show for its expense – although it marked a watershed last year with the sentencing of former prime minister Jean Kambanda. It most recently came under fire for releasing Bernard Ntuyahaga, a former army officer accused of murdering 10 Belgian peacekeepers, outraging both the Rwandan and Belgian governments.

To help address these complaints, the government intends to revive a traditional court system, the Gacaca, where elders will preside over community trials dealing with the less serious genocide offences, although there are doubts whether a system which originally dealt with petty crime can cope with the task.

"Rwanda's main task at the moment is to look inward, and find explanations and reasons for our problems," said Nicholas Shalita, the director of information for vice-president Paul Kagame. "Then we can build national reconciliation. The Gacaca system will allow a community to sit together and listen to the cases of the accused – we want this to go back to the grassroots level."

Rwanda must also rebuild a shattered economy, only now reaching pre-1990 levels. Given the inter-ethnic economic resentment that contributed towards the genocide, equitable growth will be crucial to long-term stability.

Tea production is improving, although not helped by low prices, and there has been some investment in sugar and telecoms by Uganda and South Africa. Government spending is under control, and revenue collection is improving. But food production is still barely at subsistence levels, a tragedy in a highly fertile country which could be a bread basket for East Africa.

Security has improved in recent months, notably in the north-west of the country which was plagued by up to 20,000 Interahamwe and ex-FAR militia – the hard core perpetrators of the genocide. But the recent attack on Bwindi national park in Uganda suggests that the killers remain a highly organised force, which could come back to haunt the country.

There is evidence that they are being regrouped and re-armed by Laurent Kabila, president of the Democratic Republic of the Congo, in retaliation for Rwanda's support for a long-running rebellion in the east. External security remains a problem, and donors have expressed concerns about defence spending at a time when the country faces crippling repayments on a $1.2bn external debt.

Rwanda, a country sometimes described as the Israel of central Africa, with all its capacity for regional destabilisation, is taking some first and encouraging steps. But until basic issues of reconciliation and reconstruction are resolved, all of central Africa will rest uneasy.

Rwandans line up behind their candidate in the first free elections since the killings AP

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Nazareth mosque plan fuels religious rift

TRADE DISPUTE EXPORTERS EXPECT TO INCREASE SALES TO LUCRATIVE EU MARKET

Latin American banana growers hail WTO ruling

By Justine Newsome in Quito and James Wilson in Panama City

The US's Latin American partners in the long banana battle with Europe have hailed the latest World Trade Organisation ruling as a victory that gives them a chance to boost sales to the lucrative EU market.

Ecuador, Mexico, Guatemala, Honduras and Panama had all complained along with the US to the WTO over the restrictions placed on their banana exports by the EU quota regime.

However the WTO judgment is set to increase uncertainty for four Latin nations – Costa Rica, Colombia, Venezuela and Nicaragua – which had protected their exports by accepting a guaranteed share of the EU quota since the regime was first introduced.

Ecuador, the world's largest exporter of bananas, gave a cautious welcome to reports of the latest WTO ruling, although the government was making no official reaction until the panel ruling is made public on Monday.

But banana producers remain sceptical that the latest ruling will bring Ecuador immediate benefits. "We had already won one panel [in September 1997] and the EU was then given 15 months to change but they came up with another illegal and discriminatory regime. How much longer can we wait?" said Francisco Bejar, legal adviser to the producer organisation, Conaban.

Mr Bejar said the EU should not be given time to implement a regime, but should dismantle discrimination against Latin American producers immediately.

Dissatisfied with the EU response in January to an earlier WTO panel ruling, Ecuador made a further special appeal against the way the EU had changed its regime. It objected to the principle of quotas for countries and the special treatment given to ACP countries, which it claimed exceeds that recommended by the panel. Ecuador also claims the system of European operators selling licences to Latin American importers is still open to abuse, costing Ecuadorean exporters $200m a year.

In 1998 29 per cent of Ecuador's $843m of banana exports went to the EU. Under the quota system Ecuador has 26 per cent of the EU market.

In Panama, one of the Latin American countries hardest hit by the EU quota system, industry and commerce minister Raul Hernández praised the WTO ruling as "momentous for our country". Bananas are Panama's biggest export product but its sales to the EU slumped by around 40 per cent after the quota regime began.

Panama managed to raise sales in the US instead but has been anxious to regain access to the better prices in the EU.

In the latest EU alteration to the regime in January, Panama was unhappy to be offered only a 15.76 per cent share of the EU's Latin American quota. Laura Flores, the deputy foreign trade minister, said Panama would now look to boost exports up to pre-quota levels, when she said the country had about 20 per cent of the European market.

Mr Hernández said the best outcome would be for the EU to set a single tariff for all banana imports. But he acknowledged it would be "fair up to a point" if the EU were to continue to support ACP countries through a lower EU entry tariff.

The outcome was also greeted as a vindication of membership of the WTO, which Panama only joined in 1997. Joining has often been criticised domestically for leading to import tariff cuts, producing a surge of cheap farm imports and local job losses.

However neighbouring Costa Rica, the world's second largest banana exporter with more than 25 per cent of the EU quota for Latin bananas, reacted cautiously. Anabel González, the viceminister for foreign trade, said the country would wait to see how the EU would proceed.

CARIBBEAN PRODUCERS ISLAND LEADERS HOPE EUROPE WILL HONOUR LOME TREATY

Exporters urge EU to appeal

By Canute James in Kingston

Caribbean banana exporters, at the centre of the trade dispute between the US and the EU, say they hope Europe will continue to honour its "legal obligations" and will not dismantle preferential banana import arrangements because of pressure from Washington.

The exporters maintain that the Lomé Convention, a trade treaty between the EU and the African, Caribbean and Pacific Group, a 70-nation bloc, commits the EU to maintaining the preferential market.

"The preferential arrangement and the tariff quotas have not been dismantled, and we are encouraged by the statement by Leon Britain, the acting EU trade commissioner, that the EU will appeal this latest WTO ruling," said Edison James, prime minister of Dominica, one of the Windward Islands in the eastern Caribbean whose economy is dependent on banana exports. "The banana arrangement is a treaty obligation which the EU has under the Lomé Convention, and this is legally binding."

A WTO arbitration panel this week ruled that the European Union's banana import regime, which favours former European colonies, mainly in the Caribbean, violates global trade rules. The WTO said the US could impose $191.4m of sanctions on EU goods to compensate for trade losses caused by the banana preferences.

"We are concerned about the finding of the WTO, but we hope the European Union will not change its position," said Bernard Cornibert, chief executive of Windward Islands Banana Development Company. "We hope the EU will withstand the pressure from the US. There is no reason for the Europeans to buckle under the pressure being applied by the US."

The ruling should spur Caribbean banana farmers to become more efficient, said Swinburne Lestrade, director general of the Organisation of Eastern Caribbean States, a regional economic group which includes the Windward Islands.

"We are committed toward making the industry more efficient, and this ruling will be an impetus for the banana industry to become more efficient," he said.

Another regional trade group, the Caribbean Community and Common Market (Caricom), said it would wait for the WTO to release its ruling officially before making a comment.

Hot-rolled steel coils at Nippon Steel await shipment to the US. Japan's troubled industry wants the government to take radical steps

Japanese steel makers call for commercial reforms

By Alexandra Harney in Tokyo

The Japanese steel industry will step up pressure on the government to to bring in reforms to help pull the country out of its worst postwar recession, Akira Chihaya, chairman of the Japan Iron and Steel Federation said yesterday.

The industry group is to submit policy proposals to a government advisory panel this month. The report is likely to recommend changes to tax and commercial law to facilitate mergers and demergers and to increase labour mobility, Mr Chihaya said.

The move coincides with several plans to tackle the overcapacity problem in Japan's manufacturing sector. Last month, the government formed a panel including Keizo Obuchi, prime minister, and leading businessmen and politicians to discuss supply side restructuring measures. The ministry of international trade and industry is also considering a plan that would extend emergency funding to troubled companies in exchange for restructuring.

It also comes as Japan is threatening to take the US to the World Trade Organisation over a bill passed in the House of Representatives to restrict steel imports to 1997 levels, the latest of a series of heated exchanges surrounding the surge in Japanese steel shipments to the US in 1998.

Mr Chihaya, who is also president of Nippon Steel, the country's leading steel maker, said that Japan's corporate laws were hampering a recovery in the steel sector, where output fell from 102.8m to about 90.5m tonnes in the fiscal year ended in March. He said the industry group would submit its recommendations to the newly formed panel, known as the Conference for Industrial Competitiveness, later this month or in early May.

He also confirmed that Japan would challenge US efforts to curb steel imports by taking the issue to the WTO if necessary. The increase in steel exports to the US was a result of increased demand from the booming economy that domestic steel mills could not meet, he said.

"I believe that the most important thing for the US steel industry is not to ask for protection with import restrictions, but to make a sincere effort to regain its international competitiveness, which will enable further growth of the US economy as a whole, including steel-consuming sectors," Mr Chihaya said.

US mills bought 25 per cent of steel shipped from Japan last year because of a shortage in production capacity, he added.

However, the structural problems underlying the trade conflict remain unresolved. Earlier this month, the US International Trade Commission issued a preliminary ruling that Japanese shipments of steel plates were injuring US producers, a move that allows the Commerce Department to begin investigation of anti-dumping charges.

Although steel shipments from Japan to the US have fallen continuously since last autumn – crude steel imports plunged 49.3 per cent in February compared to the same period the year before – the trade disputes has laid bare the staggering overcapacity problem in the recession-weary Japanese steel industry.

Nippon Steel is the only integrated steel maker expecting to make a profit in the fiscal year ended in March. Analysts applauded the group's recent restructuring, which included an unusual move to withdraw from the semiconductor market, but said that further reforms would be necessary for a fundamental earnings recovery.

India loses imports ruling

By Amy Louise Kazmin in New Delhi

The World Trade Organisation has ruled that India can no longer reasonably cite balance-of-payments problems as an excuse for maintaining import restrictions.

India has long cited its allegedly poor balance-of-payments position as justification for maintaining extensive import restrictions and high tariffs. It has quantitative restrictions on 700 items, and requires special licences to import hundreds of others.

The US filed a formal complaint, challenging the balance of payments excuse, after the two countries failed to agree a time frame for phasing out India's quotas. New Delhi wanted a six year phase-out plan, which was accepted by India's other major trading partners, including Australia, New Zealand, and the European Union.

However, US officials said the phase-out should take place faster.

Armed with the ruling of the WTO's dispute settlement panel, US officials said they would negotiate another phase-out schedule with India. If India does not make an acceptable offer, the US could press for sanctions.

Under WTO rules, countries are normally allowed 15 months to phase out import restrictions if they are no longer found to have valid balance of payments problems. However, Indian trade officials said the WTO report recommends India be given more time.

"India believes that six years is a reasonable time frame, and so does all her trading partners with the sole exception of the US," said an Indian commerce ministry official. India had been lifting import restrictions in the last two years, he added.

Last month, India announced it was lifting restrictions on 894 items, including consumer goods, fruits, vegetables and even some dairy products.

Customs red tape 'harms trade with east Europe'

By Charles Batchelor, Transport Correspondent

Six out of 10 western companies experience difficulties with customs "red tape" which hampers trade with central and eastern Europe, according to a survey of multinational groups published yesterday.

One third of the companies questioned reported losing revenue due to customs delays, although there had been some improvements since a survey 18 months ago when half reported losses. In the previous survey nine out of 10 companies had encountered problems.

Customs officials at one border crossing insisted on returning a consignment because the computer printout of the shipment details was on the wrong coloured paper, according to the survey by DHL, an express parcels group.

Another exporter was asked to provide the Latin name for a consignment of pototoes despite the fact that the Mediterranean farmers who grew the crop had no idea of the name themselves.

Problems encountered by western companies included frequent changes in regulations which made it difficult to plan ahead and over-zealous application of the rules by officials who saw their role as policemen rather than as customs authorities.

Customs problems in the CIS countries and in Russia in particular had grown worse though in the five countries first in line for European Union membership – Czech Republic, Poland, Hungary, Slovenia and Estonia – procedures were the most straightforward. Slovakia, Bulgaria and Romania had also made progress.

Overall, the improvement was reflected by the fact that only one in five shipments was held up by customs delays compared with one in three in November 1997.

Forty-two per cent of the companies interviewed said they felt the customs authorities "at least partially realise what businesses are trying to achieve." In the previous survey the figure was 22 per cent.

"We have seen a real sea change in attitudes over the past six months," DHL said. "Unfortunately this has not always been translated into concrete improvements.

"Even the countries identified as relatively straightforward in customs procedures still have a way to go before they reach the west European norm. Constant changes and a piecemeal approach to reform remain a cause for concern."

The Second Customs Report for Central and Eastern Europe. +44 171 465 7700. Free.

Embraer planning new large regional airliners

By John Barham in São Paulo

Embraer, the Brazilian regional jet maker, intends to press ahead with a $750m project to build a new family of large regional jets.

Mauricio Botelho, Embraer's president, says the company has completed preliminary designs for a 70- and 90-seater jet and has begun showing it to "hundreds" of potential clients. Embraer is also beginning to recruit key suppliers to contribute about $350m to the project on a risk-sharing basis. The company also hopes to raise $250m on international financial markets to finance the project. Embraer would provide the remaining $250m in equity.

The company's move follows its defeat in a trade dispute with its Canadian rival Bombardier last month and the closure of international capital markets to most Brazilian companies following January's devaluation of the real.

Mr Botelho says the company will take a final decision on the project in June, ahead of the Le Bourget airshow. The first models would be ready about three years later. The planned ERJ-170 and ERJ-190 would replace the highly successful 50-seater ERJ-145, launched in 1996, and which now accounts for most of the $4.1bn in the company's backlog of orders.

Bombardier, the world's largest regional aircraft supplier, and second-ranking Embraer, are both developing aircraft to meet growing demand for larger and longer-range aircraft by regional operators. Embraer estimates its new aircraft should begin capturing a quarter of a market forecast at 2,500 aircraft in three years.

Mr Botelho expects the new aircraft needs to earn a return of at least 25 per cent to justify the investment. The aircraft are tentatively priced at $21m-$23m.

Embraer officials dismiss concern that Brazil's financial crisis could threaten financing for the project. Satoshi Yokota, Embraer's industrial vice president, says: "We raised $150m [for the ERJ-145] at a very difficult time. It will be no Herculean effort to get $750m now."

Although the Brazilian government has strongly defended its trade finance subsidies, known as Proex, at the World Trade Organisation, Mr Botelho says a reduction in assistance would not cause a "significant impact" for Embraer, which is now Brazil's second largest exporter. Both the Brazilian and Canadian governments are expected to appeal against the WTO's ruling.

Mr Botelho says "foreign trade is very important for all countries and they all protect their exports, particularly strategically important [products] such as aviation."

Greenspan intervenes over bank reform

By Richard Wolffe in Washington

Alan Greenspan, chairman of the Federal Reserve, yesterday intervened in the controversial campaign to limit US community lending laws, which have led to bitter divisions between Democrats and Republicans.

Mr Greenspan's intervention, at the request of Senate Republicans, threatens to widen the political divisions over efforts to overhaul the US financial services industry.

The Clinton administration has already threatened to veto a Senate bill – which would reform the Depression-era and post-war banking laws – because it undermines community lending provisions.

Lobbyists are largely united in their determination to tear up the archaic financial services legislation, which separates banking from insurance and broking.

However, their prospects for success, after two decades of fruitless debate over the banking laws, appeared gloomy yesterday as Senate Republicans intensified their campaign against community lending.

Phil Gramm, chairman of the Senate banking committee, used Mr Greenspan's comments to attack a compromise deal over community lending between Democrats and Republicans in the House of Representatives.

Mr Greenspan, in a letter to Mr Gramm, said the House bill would extend community lending provisions to banks moving into new financial services. In contrast, the Fed chairman said, a rival bill in the Senate would roll back community lending laws, which require banks to maintain close links with poorer neighbourhoods.

Although the Fed chairman did not pass judgment on community lending, Mr Gramm used the letter to renew his attack on the House bill. He said: "Such expansions [in the bill] are not warranted in legislation that is aimed at improving consumers' access to financial services. We should be removing barriers, not building new ones."

Republican and Democratic leaders in the Senate will meet next week with Mr Gramm and Paul Sarbanes, the leading Democrat on the Senate banking committee, to discuss the prospects for the controversial legislation.

Republican leaders have said they expect the bill to reach the floor of the Senate in the first half of May, but this is likely to be delayed unless the party leaders can find room for compromise over community lending next week.

Democrats view community lending as an article of faith which they are prepared to defend aggressively both in and out of Congress.

Jesse Jackson, the veteran civil rights leader, pledged this week to launch a national campaign to protect the Community Reinvestment Act. Mr Jackson condemned Mr Gramm's efforts as "dream-busting ideology".

A spokesman for the Republican leadership on the House banking committee yesterday defended the compromise proposals on community lending. "These provisions should not come as a surprise because they have been a part of the bill for the last few years," he said.

Internet fraud hits new levels of cunning

By John Labate in New York

The hunt continued yesterday for the people behind the most cunning internet investing scam yet, when a phony news story about the takeover of a small high-tech company sent its shares soaring in trading on Wednesday.

Regulators were tight-lipped about the investigation, but market traders expressed little doubt that those responsible would be tracked down.

"It definitely does take things to a new level," said Anthony Elgindy, president of Pacific Equity Investigations, a research and trading company.

The effectiveness of the scheme to move stock prices put a new light on the power of internet chat rooms, which often post anonymous stock tips and opinions. On Wednesday a fictitious Bloomberg news story appeared on a message board run by Yahoo! The story was made to look identical to a news story, and featured detailed links to the Bloomberg news service and other internet sites.

According to the false report, Pairgain Technologies, a California-based producer of telecoms equipment, had agreed to be acquired by ECI Telecom, an Israel-based company. The story appeared minutes before the opening of trading in New York, and the shares, which trade on the Nasdaq market, surged from an opening price of $8½ to more than $11 in early trading.

The stock stayed strong in spite of denials from Pairgain and Bloomberg, closing at $9⅝. Yahoo! quickly deleted the story, but by then it had spread to the broader market, making Pairgain shares the 12th most actively traded stock on the Nasdaq.

Although many investors were fooled by the story, others were doubtful from the start. Mr Elgindy posted a message on Silicon Investor, one of the most popular internet stock chat services, stating his belief that the original story was a fraud.

Mr Elgindy is a closely watched commentator on stock tips and is also an active trader. In a strange twist he said that after he posted his message he traded the stock, reaping a gain of $80,000-$100,000 on what he felt sure was false information.

Whoever posted the fictitious story knew Pairgain well. The company has long been considered a takeover candidate and has been linked with ECI in the past.

"That's part of the genius of what they did," said Charles McBrayer of Pairgain. Mr McBrayer said the company was not conducting an internal investigation, but was co-operating with regulators at the Securities and Exchange Commission and Nasdaq.

The Pairgain report may put new pressure on regulators to crack down on internet chat rooms. The SEC has repeatedly warned investors not to trade on information received on the internet, but such statements have done little to cool the thirst for fast tips.

In recent months the SEC has stepped up its enforcement of internet fraud, creating a new division within the agency.

The agency has brought more than 60 cases involving fraudulent internet practices.

This week US authorities charged a New Jersey man for creating and spreading the Melissa computer virus which jammed company e-mail systems worldwide.

Brazil judges and banks face probes

By Geoff Dyer in São Paulo

The Brazilian Senate yesterday launched an investigation into corruption in the judicial system and has announced it is setting up another inquiry into the banking sector.

The inquiries, which could distract attention from much-needed economic reforms, will occupy much of the Senate's time for the next three months and could sap political energy in Brazil's capital.

The investigations come as Brazil begins to pull itself out of a currency crisis, which began in January, and as investors express confidence that the government will implement long-term fiscal reforms needed to guarantee economic stability.

The inquiry into the judicial system, which has been spearheaded by Antônio Carlos Magalhães, Senate president, will look into allegations of nepotism and corruption by judges.

A number of judges have threatened to boycott the inquiry, alleging that the legislature does not have the institutional authority to investigate the judicial branch of government, raising the prospect of a constitutional crisis.

However, in an attempt to calm tensions, Celso de Mello, president of the Supreme Court, said the inquiry was legitimate. "Magistrates should behave like any other citizen and not put themselves above the law," he told reporters on Wednesday.

Some analysts believe the inquiry could create the political conditions for a broader reform of the judicial system, which the government has already proposed.

The banking sector inquiry could be more embarrassing for the government, as it will look into allegations that some banks received warning about the January devaluation and that the central bank sold dollars below the market price during the crisis to two struggling Brazilian banks.

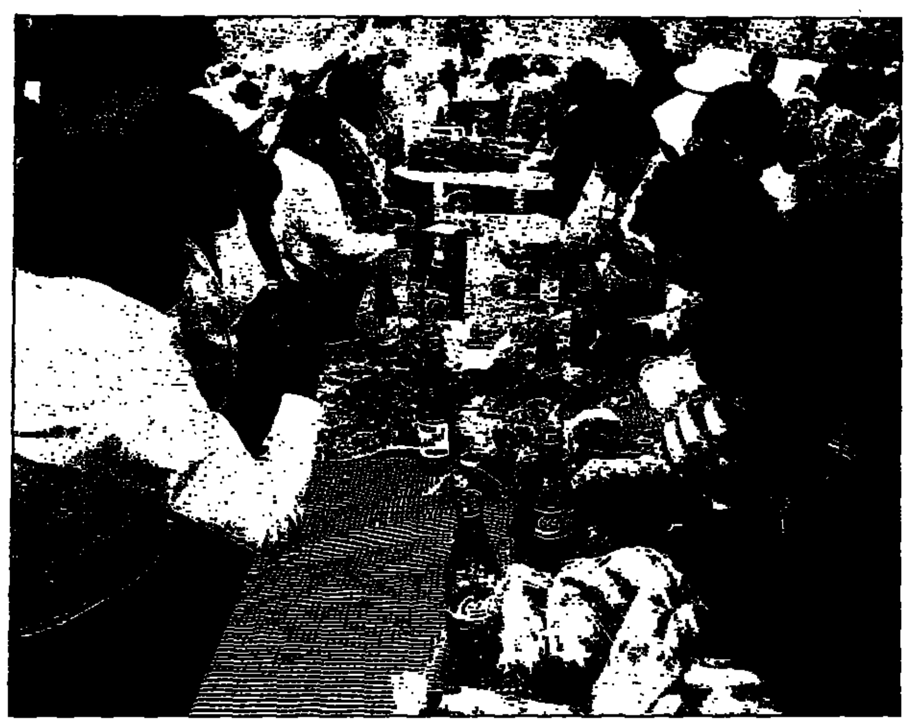
The central bank is expected to respond to these allegations later this week.

Although the preparations for the investigation have not been completed, observers said it was almost certain it would start next week.

Political analysts forecast that the probes would not significantly affect the government's reform agenda. "The Senate will be partly tied up with the investigations, but the lower house will continue doing its work," said Carlos Lopes, a political analyst at Santafe Idéais in Brasília. However, he added, the emergence of new allegations during the hearings could damage the government.

Long lunches dry up as Mexico cuts its working hours

Not everyone has welcomed reforms that have compressed shifts for some bureaucrats, writes **Henry Tricks**



The long lunch is likely to become a thing of the past for Mexican bureaucrats — Panos Pictures

It is lunchtime at the U de G, a wooden-beamed cantina in downtown Mexico City, but there is no clatter of dominoes, clink of tequila glasses, or the usual hubbub of civil servants tucking into plates of baby goat.

Emiliano Sota, maitre d' of one of Mexico's most renowned watering holes, leans against the bar surveying the barren tables. "On a good day we would have 40 or 50 people from the foreign ministry here, playing rounds of dominoes. Lunch would last for several hours."

He snorts: "What will they want now, takeaway tacos?"

As he laments, Guillermo Hernández, a foreign ministry official who used to spend hours spinning out his lunch at the U de G, is rejoicing in his office nearby. His cause for celebration is the reclamation of his private life.

This week the federal government introduced new rules for some of its 2.8m bureaucrats that – if they stick – could transform one of those relics of a dying age that Mexico has stubbornly preserved: the three-tequila lunch.

Since Monday, shifts of government workers have been compressed from 9am to 6pm, with a strict 60-minute limit on lunch. That is down from workdays that would often start at 10am and end at 11pm, with hours spent idly waiting for the boss to return bleary-eyed from the restaurant.

The reforms are aimed at shaking up Mexico's bloated and somewhat Dickensian bureaucracy, bolstering efficiency, improving working conditions and making public servants more diligent. They will also promote government austerity at a time when Mexico has to keep a tight rein on public spending because of low oil prices.

In a hint of the profligacy that once prevailed, already this year the government has banned workers from using premium-rate telephone lines, limited mobile phone use, clamped down on first class air travel and pledged to shed 14,000 jobs. All of which, it hopes, will cut 1.9bn pesos ($200m) from expenditure.

Marco Provencio, a finance ministry spokesman, says the new work schedule will affect some 225,000 workers in the capital, which will create marginal cost savings. "It's not the numbers, it's the labour culture of the bureaucracy that we're after," he says. "You can't expect people who arrive at their offices at 9am and leave at 10pm to be the soul of productivity."

The reforms promise tantalising social consequences as well. Some officials are already signing up for evening courses and master's degrees, lights in ministries are going out on time and workers spill out into the streets blinking in the early evening light.

"It has given me a private life," says Mr Hernández, who used to arrive home from the ministry at 10pm, and barely saw his wife for five days a week. "It's a generation thing. I totally applaud the decision. It's healthy and First World."

Not everyone shares his enthusiasm. Many of the workers are low-paid cleaners, secretaries and chauffeurs, some who worked two shifts a day in different ministries to double their salaries. Their night jobs have been eliminated.

Others doubt the reforms will stick. Mexico began the tradition of interminable bureaucratic workdays in the early 1970s when Luis Echeverría, a workaholic and eccentric ex-president, demanded ministers be at his disposal at all hours.

Officials would keep packed suitcases in the office ready to accompany him on his sudden whims to travel abroad, and would return home from work after midnight only to be summoned to tennis with him before breakfast.

In a political system where one force – the Institutional Revolutionary party – has ruled for 70 years, the president has remained vested with almost regal authority ever since, and the tradition of staying at work until his office light goes off at night long ago took root.

Whether employees can shake off the habit, and watch the clock instead, remains to be seen. "We think the new timetable is here to stay, there's no doubt," says Mr Provencio.

Officials say President Ernesto Zedillo backs the reforms. This week he urged most of his staff to leave at 6pm, and a spokesman said he was keeping just a skeleton crew for emergencies.

Mr Zedillo, who is fastidious about waste, has a history of breaking with bureaucratic tradition. On taking office in 1994 he announced he would spare his cabinet the tiresome chore of waving him off at the airport on foreign trips and saluting him on return.

But Mr Sota of the U de G believes the new timetable will soon unravel in a crisis.

"That type of cultural change will take at least 10 years," he says. "Meanwhile, instead of drinking a lot at lunchtime, people will drink a lot at night and feel worse the next day. It doesn't make much sense."

TOBACCO LITIGATION SETTLEMENT US POLITICIANS HOPE TO USE PROCEEDS TO RAISE MONEY ON BOND MARKETS

Plan to turn pipe dreams into gold

By Andrew Edgecliffe-Johnson in New York and Edward Luce in London

America's local politicians are hoping to turn smoke into gold through a piece of financial wizardry. Although the payouts of last year's $206bn US tobacco settlement are staggered over the next 25 years, many local governments, including New York City, hope to grab their share much sooner through the bond markets.

Under the scheme, in which at least five of the 46 US states involved in the settlement have expressed a strong interest, proceeds from the litigation settlement would be used as security to raise the money in advance.

State – and some city – governments would securitise the future revenue streams and use the proceeds to pay for local healthcare budgets or other schemes. Interest payments on the bonds would be serviced by the actual litigation payments over the next 25 years.

"If one or two states succeed in securitising these payouts then many more will follow," said David Hitchcock, a director at Standard & Poor's, the credit rating agency, in New York. "It could also encourage states to securitise other types of revenue streams more frequently, such as delinquent tax payments, for example."

Bankers say there would be strong investor demand for such bonds. The US has the most sophisticated asset-backed market in the world for dealing in anything from future royalty payments on record sales to receivables on credit card debt, packaged and sold to the bond market.

In addition, the legal companies acting for the 46 states are expected to securitise the fees they are owed by the tobacco companies which amount to annual payments of $500m up to $18bn over time.

Sean Sheerin, vice-president of Duff & Phelps, the rating agency, says up to $1bn in legal fees could be securitised by as early as June.

"We are talking about the emergence of a very big asset class in its own right," he said.

However, there are concerns about how the states would use the proceeds of the bond issues.

"These payments are one-off windfalls so state governments should not spend the money on ongoing projects or use them to cut taxes," said one banker.

Agencies say the ratings assigned to the bonds will hinge on how the revenues are spent.

'If one or two states succeed in securitising these payouts many more will follow'

This week, Jim Hill, the state treasurer of Oregon, proposed issuing $400m worth of bonds backed by the part of Oregon's expected $2.4bn share of the settlement. The idea was simple, he said.

"It provides the state with a short-term fix to the school budget problem without raising taxes, and at the same time it buys us some time to find a stable and lasting solution to the school's funding problem."

The idea is not without its drawbacks, however. Some critics are nervous that the authorities will use up their one-off windfalls quickly and then face politically difficult decisions once the money has been spent.

Of more immediate concern is whether the risks attached to the bonds will put off potential investors. The main worry is that future payments under the settlement are not set in stone.

The current attempt by the federal government to claim a share of the $206bn could, if successful, halve the amount available for the states. Under a clause in the settlement, the amount could also be cut over the longer term if the number of people smoking declines.

Such uncertainties have not stopped authorities from pursuing securitisation. Illinois, Louisiana, Maine, Pennsylvania and Texas have all expressed an interest, as have cities including New York and Washington, which will receive a share of the states' settlement.

New York City's plans are the most advanced. Mayor Rudolph Giuliani has appointed Salomon Smith Barney, Bear Stearns and J.P. Morgan to manage the issue, with a timetable of July for an initial sale of $625m worth of bonds.

The goal is to raise $2.5bn over four years. An added attraction for New York is that this would side-step the constitutionally imposed limit on the amount of tax-backed bonds the city can issue – a ceiling against which it is already bumping.

The city's Transitional Finance Authority has already established a Tobacco Settlement Asset Securitisation Corporation, which would receive the payments due to the city under the settlement and redirect them to pay off the bonds.

The city's plans are complicated, however, by a dispute over how much of the state's $25bn expected settlement it should receive. At present, the state governor has offered $6.7bn, but Mr Giuliani is looking for more.

"Whatever happens everybody gains except smokers and the tobacco companies," said one banker who added that the fees on the bond issues were expected to be handsome.

BANGKOK SWINGS FROM AUSTERITY PLAN 'IT'S PRAGMATISM AND ADOPTING POLICIES AS CIRCUMSTANCES CHANGE'

IMF denies U-turn on Thai deficit spending

By William Barnes in Bangkok

The International Monetary Fund yesterday denied doing a policy U-turn in allowing Thailand to swing away from an austerity programme into deficit spending.

The denial followed approval by the IMF board of an increase in the maximum public deficit from 5 to 6 per cent of gross domestic product.

Michel Camdessus, the Fund's managing director, said in Washington, where the board conducted its sixth review of Thailand's $17.2bn rescue scheme, that a new $3.5bn fiscal stimulus package provided a much needed boost to domestic demand, while preserving a sustainable fiscal position over the medium term.

The Fund originally responded to Thailand's 1997 currency crisis by demanding that it run a budget surplus in a monetary and fiscal straitjacket.

"It's not a U-turn – it's pragmatism and adopting policies as circumstances change," said Reza Moghadam, the IMF's resident representative.

Thailand, he explained, entered the crisis with a massive current account deficit, an overheating economy, a budget filled out by investments and a massive outflow of capital at a time when the central bank was taking speculative forward foreign currency positions.

"The recipe in these circumstances for a country (initially) alone in crisis is different for what you do when an economy is down the chute."

The recovery programme had been modified every time a three month economic snapshot showed this to be necessary, he argued.

Thailand abandoned the IMF's early tight money policy last year.

But Mr Moghadam said the early strong grip brought stability.

"I frankly doubt that the exchange rate would have seen the stability for the last 12 months or so if we were not as aggressive as we were with interest rate policy."

He dismissed widespread complaints that tight money had multiplied the bad debt agony.

"The bad debts came from bad lending. How come foreign banks' bad debts are less than 10 per cent?"

The latest stimulus package included tax cuts because it is recognised that a cautious bureaucracy can find it difficult to spend money quickly.

"The government has been right to reject exporters' pleas for the Bt37.5 to the dollar trading range of the last few months to be weakened," he said.

"Any competitive gain will be lost in a cost backlash."

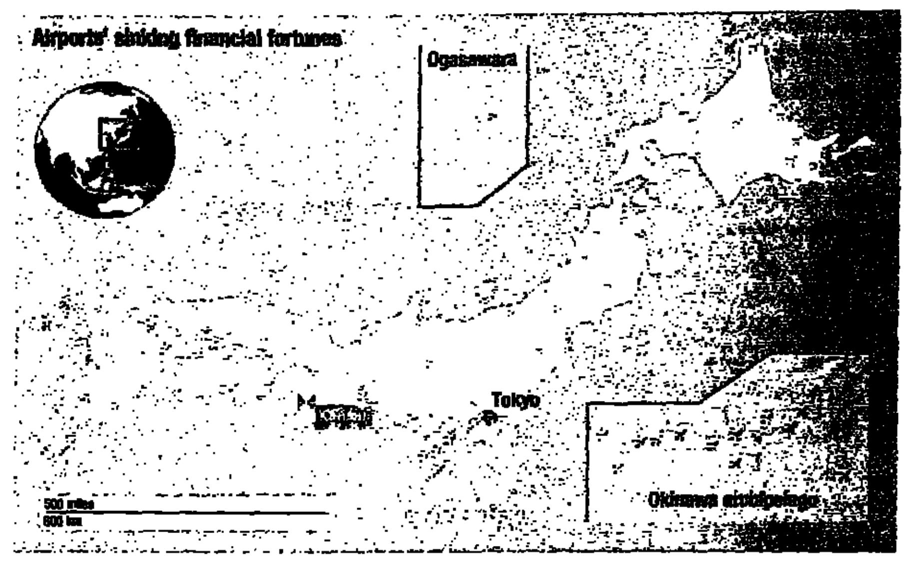
"Fundamentals will dictate where the baht goes. One baht depreciation *vis-à-vis* the dollar leads to 90bn-100bn indebtedness in baht terms for the country," he said.

Since money market rates are at record lows there was little room for further declines there.

Mr Moghadam said lending rates – the key minimum lending rate is around 9.75 per cent – might have some way to fall.

Kansai's new airport gets that sinking feeling

The world's first offshore airport is suffering from more than just a drop in profitability. **Alexandra Harney** reports



Kansai International Airport, the world's first offshore airport now entering its second stage of construction, is sinking into the sea faster than initially expected, according to airport authorities and engineers familiar with the project.

The landfill beneath the first runway, completed in 1993, has already sunk 11.5 metres, and airport authorities say they expect it to continue to sink.

This compares with 8 metres originally expected, and a startling 18 metres expected in the land beneath the second runway due to begin construction this year.

The problem has significant implications for the future of Kansai airport, the country's second largest international airport located outside Osaka in southwestern Japan.

It comes as national and local governments, which put up more than 80 per cent of the funds to build it, are mired in financial problems that some analysts say could force the Ministry of Transportation to revise its policy of stimulating economic growth by building airports in remote regions of Japan.

Airport officials insist the sinking was fully anticipated and appropriate measures have been taken to prevent disrupting daily airport activities.

But they acknowledge that the problem has drawn the attention of the Japanese government, which has hired a group of engineers from the UK and Canada, Nepal, Singapore, China, and Korea to tackle the problem.

A senior official in the transportation ministry said: "The sinking has been worse than when the initial plans were drawn. But the sinking has gone according to schedule."

However, one engineer who worked on the sinking problem said that the team of scientists was under pressure from the government to cut costs. "The problem was that they wanted to choose the cheapest (solution)," he said.

The airport is built on rocks and boulders deposited in the waters of Osaka Bay. Engineers have identified about 13 separate layers of landfill, some of which are softer than others. The softer regions have been compressed under the weight of the airport.

Kansai airport officials said that jacks were already supporting terminal buildings connected to the first runway, and that they were considering using jacks to prop up the apron area on the runway.

This was to smooth out differences in parts of the airport that had sunk faster than others.

However, they admitted that similar problems were likely to crop up in building the second runway, a 4,000-metre airstrip to be built next to the first that would more than double the airport's capacity.

The Y1,560bn ($13bn) plan, funded with funds from public and private institutions, has already fallen several months behind schedule because of opposition from local fishermen. Officials at the transportation ministry are currently reviewing a request to begin construction.

Douglas Hayashi, analyst at HSBC Securities, said that Kansai's declining profitability and the withdrawal of international airlines from the airport recently, including British Airways, could damp the government's enthusiasm for further development.

Although the second runway was likely to be built, "with the finances of the central government as they are, people will realise that it is not economic (to add more capacity). It doesn't seem to make any sense, because there is not any demand there", he said.

After new capacity is added at the country's main international airport at Narita, outside Tokyo, and a new airport is completed in the Nagoya area in the next few years, the government's strategy of building new airports in regions outside Tokyo was likely to be curtailed, Mr Hayashi added.

One official in the transportation ministry said recently that depressed demand for air travel was adding to problems at Kansai and more than 100 other regional airports – almost all of which are operating at a loss.

Profitability at Kansai and other outlying airports has declined sharply because of reduced passenger volumes as a result of the recession in Japan and elsewhere in Asia.

This has been exacerbated by the high number of small and medium-sized companies located in the region around the airport, as executives have cut back on business trips.

In January, domestic passenger volume at Kansai was down 10 per cent compared with the same month last year.

The airport was operating at a loss as of last year.

In the first half of fiscal 1998 that ended last September, the company recorded an ordinary loss of Y9.6bn.

Japan's opposition leader calls for supplementary budget

By Michiyo Nakamoto in Tokyo

Japan's opposition leader yesterday called on the government to put together a supplementary budget in order to ensure that growth is sustainable amid economic restructuring.

Naoto Kan, leader of the largest opposition Democratic Party, said the government would need a supplementary budget focused on dealing with supply-side measures and unemployment, to provide a safety net amid widespread corporate restructuring.

"The government says the economy has hit bottom but we do not believe it has hit bottom," Mr Kan said.

Earlier this week, the World Bank revised its estimate for Japanese gross domestic product to negative 0.9 per cent growth.

Mr Kan's call highlights expectations that a supplementary budget will be required in spite of unprecedented stimulus measures included in the Y81,900bn ($674bn) budget for 1999 which passed the Diet just last month.

This year's budget includes Y20,000bn in public works spending and tax cuts.

The Democrats themselves have been outspoken critics of the ruling Liberal Democratic Party's high-spending ways, which they have warned would lead to spiralling debt for future generations.

Mr Kan's forecast follows suggestions by the US government and private economists that a further supplementary budget may be necessary.

Even among Japanese officials, Toyoo Gyohten, a former special adviser to Prime Minister Keizo Obuchi, indicated the government's goal of achieving 0.5 per cent growth this year looked optimistic.

"I have to confess that I am less optimistic than that," Mr Gyohten said yesterday.

The LDP has brushed aside suggestions that it was considering another supplementary budget just weeks after the budget was adopted.

However, some LDP members are calling for further stimulus measures to counter the likely downturn when public works spending trails off later this year.

Mr Kan said that the restructuring of Japanese corporations was expected to increase unemployment, making it necessary for the government to create jobs. The LDP's emphasis on public works to boost the economy does not create the kind of jobs in services needed to deal with the economic restructuring Japan faces, he said.

S Korea banking unions protest at mergers


South Korean leaders of the Korean Federation of Bank and Financial Labour Unions demonstrate yesterday against forthcoming bank mergers Reuters

About 100 South Korean leaders of the Korean Federation of Bank and Financial Labour Unions (pictured right), fearing further mass layoffs, protested against upcoming bank mergers in Seoul yesterday as labour unions again called for a general strike from April 19, Reuters reports from Seoul.

"If the government keeps on ignoring our demands then we will begin a general strike from April 19," the hardline Korean Confederation of Trade Unions (KCTU) said in a statement.

"The government should respond sincerely and immediately to a dialogue with (the KCTU) and then the government should stop restructuring and mass layoffs that deprive workers of the right to live," the statement said.

The KCTU said its members working for state corporations would stage an April 19-23 general strike and hold nationwide mass rallies for the unemployed on April 24 if its demands were not met.

More than 20,000 of workers and students clashed with police in May Day rallies that turned violent last year.

South Korea's seasonally unadjusted unemployment rate in February of this year rose to a record high of 8.7 percent from 8.5 per cent a month earlier.

Analysts say unemployment could worsen considerably if the restructuring of the country's bloated and highly leveraged corporations is accelerated, as expected, in the second quarter of this year.

South Korea's aid donors and many analysts have praised the government of President Kim Dae-jung for enacting far-reaching reforms in the financial sector, but have criticised the slow pace of corproate restructuring.

The International Monetary Fund, which approved the release of $245m from its massive loan to South Korea on Wednesday, noted progress had been slow in transforming the largest *chaebol*, or family-run industrial conglomerates.

NEWS DIGEST

BIG STATE SPENDING ON INFRASTRUCTURE

China's industrial output up sharply in first quarter

China's industrial output grew strongly in the first quarter of this year, as substantial state spending on infrastructure lifted industrial production. The State Statistical Bureau (SSB) reported value-added industrial output rose 10.1 per cent in the first three months of this year compared with the same period in 1998. Industrial output rose by 8.9 per cent for the whole of 1998.

A government statement said: "Buoyed by accelerated state infrastructure investment, heavy industries posted relatively rapid output growth."

Beijing's efforts to reflate the economy through a national programme of infrastructure construction, which includes the building of bridges, railways, telecommunications and power lines, has generated demand for industrial goods and raw materials, according to officials.

However, economists noted that the broader picture of the economy remained mixed, as the evidence shows consumer demand still weak. Some analysts also fear that strong rises in industrial production could lead to a rapid increase in stockpiles if individual demand does not improve.

Output of colour televisions, for example, soared 46.2 per cent, the SSB reported. **James Harding, Shanghai**

TAIWAN AND CHINA

We are equals, says Lee

Lee Teng-hui, Taiwan's president, yesterday reaffirmed his government's policies on relations with mainland China in a defiant speech that contrasted the island's new democracy with Beijing's authoritarian rule.

Mr Lee told a meeting of Taiwan's National Unification Council that Beijing must recognise Taipei as an equal, that negotiations across the Taiwan Strait should concentrate on practical issues and that reunification could only come if democracy took root in China.

The president's remarks contained little comfort for Chinese leaders who yearn for real progress toward reunion with an island they have considered a rebel province since defeated Nationalist forces took refuge there in 1949.

Mr Lee, whom Beijing accuses of secretly hoping to formalise Taiwan's current *de facto* independence, contrasted the island's "rational and mature" politics and good intentions with the mainland's one-party dictatorship and deepening hostility. **Mure Dickie, Hong Kong**

PAKISTAN POWER SECTOR

Retreat on tariff rise approved

Pakistan says its western lenders have agreed to its retreat from a planned sharp increase in the tariff for electricity, once considered essential for rescuing its almost bankrupt state owned power companies.

Last month, the state-owned Water And Power Development Authority (Wapda), surprised analysts when it announced a modest 2 per cent cut in electricity tariffs, in a reversal from plans to raise electricity costs by a 20–30 per cent range, before the end of the year.

The earlier tariff plan was considered pivotal for retaining the support of the IMF and the World Bank, which are helping Pakistan reform its economy and restructure its foreign debt.

However, independent economists said, the large tariff increase could have been politically difficult for prime minister Nawaz Sharif's government, which is already facing criticism from the opposition parties for alleged economic mismanagement. **Farhan Bokhari, Karachi**

OFFSHORE FINANCIAL CENTRES

Island drive against fraud commended in New York

By Philip Jeune in Jersey

Increased co-operation by the Jersey authorities against combating financial crime has been commended by John Moscow, deputy chief of the investigation division at the New York District Attorney's Office.

"I have noticed a change in their public position of considerable magnitude and this has been matched in their private actions," he said. "They have made it clear that they want to work with other people who want to fight crime."

His comments came after a visit to New York by Mike Wavell, head of Jersey's police authority, Bob Le Breton, the island's police chief, and Richard Pratt, deputy-general of Jersey's Financial Services Commission. Jersey, which has the ancient and unusual status of a bailiwick of the British Crown, is the largest of the Channel Islands between England and France. The island has its own legislature and makes its own financial laws.

Mr Wavell and his colleagues were keen to convey the message that Jersey is willing to co-operate with other jurisdictions in the fight against money laundering and other types of financial crime, a challenge referred to in the recent Edwards investigation commissioned by the UK government. It covered financial laws and regulations in the offshore centres of Jersey, Guernsey, the second largest of the Channel Islands and the Isle of Man between England and Ireland.

The Jersey authorities have recently dropped a requirement that an alleged fraud case must involve losses of at least £2m before they will assist another jurisdiction in an investigation, a policy that has caused Mr Moscow concern in the past.

"I'm told they've waived that," he said, "and that's the way to catch the bad guys."

Mr Moscow believes that there is still room for improvement, particularly in regard to Jersey firms that set up companies for foreign clients. "I don't think there is sufficient focus on their part in knowing who their customers really are," he said. "If you're looking after money for people but don't really know how they got it that could be a problem."

For Mr Pratt, the New York trip was just one of a series of visits he is making to spread the word that Jersey is an offshore centre in which other jurisdictions can have confidence. He recently went to Washington and Bermuda and has plans for further trips to meet most of the major European regulators.

"My trips have made it very clear about the value of going out and meeting people and breaking down some of the perceptions by which we are judged," Mr Pratt said. "They now understand that we have the powers, willingness and determination to co-operate."

In Washington, the Jersey team met senior representatives of the Securities and Exchange Commission, the Federal Reserve and various law enforcement bodies including the FBI.

"The striking thing was that all the agencies I saw had their copies of the Edwards report, had studied it and wanted to know what progress was being made," Mr Pratt said. "They were greatly reassured by our impending legislation, especially the laws concerning money laundering and trust administration which they see as breaking new ground."

Second US company boosts Scottish job hopes

By James Buxton in Edinburgh

Morgan Stanley Dean Witter yesterday became the second US financial services company within two days to announce a big investment in Scotland.

The company is to invest between £15m and £20m setting up a service centre at Cumbernauld near Glasgow that will create 1,000 jobs over the next five years.

The announcement came a day after J.P. Morgan said it would create 300 jobs for software engineers in a £7.3m project in Glasgow.

Morgan Stanley is planning a call centre to provide customer service for its credit card business in Europe where it will in due course launch its Discover card.

The two inward investment announcements are good news for the Labour government as the campaign for the first Scottish parliamentary elections on May 6 gets under way. Donald Dewar, chief minister for Scotland, said the project was a massive boost for the Lanarkshire district, which includes Cumbernauld.

Tony Blair, the prime minister, yesterday accused the Scottish National party, of "fundamentally lacking in honesty" after the party's Scottish parliament election manifesto offered a costed programme only for a regional administration and not for the fully independent nation for which the party is campaigning.

Alex Salmond, the SNP leader, indicated precise tax and spending plans for an independent Scotland would not be disclosed until after a referendum in which Scots voted for independence.

Mr Blair said in Inverness: "What they are trying to do is get into government while downplaying the central purpose of their policies, but you can bet your life they then set about trying to achieve it."

The SNP's 1997 general election manifesto promised to abolish the ceiling on national insurance contributions, and last week the party said it still wanted to implement the reform. It could lead to a 50 per cent marginal rate of tax for the better off.

But Mr Salmond would only say yesterday that the SNP was committed to a progressive taxation system in which the better off "pay a bit more". He added: "The precise formulation for delivering that depends on the fiscal position and you cannot know that fiscal position until the time of the independence election."

The manifesto promises to use the Scottish parliament's power to increase the basic rate of income tax by one pence to boost spending on education and health.

Other proposals include establishing a network of commercial embassies to promote Scottish trade and introducing proportional representation for municipal elections.

CBI Scotland, which represents businesses, appeared to criticise the proposal to reverse the 1 per cent cut in the basic rate of income tax promised for the whole UK by Gordon Brown, chancellor of the exchequer.

Iain McMillan, the organisation's director, said a small unincorporated business paying tax at the basic rate would face a liability 4 per cent higher than an equivalent firm in England.

Top Asians see their wealth on show

Community's richest 200 are said to be worth $12bn, **Sathnam Sanghera** reports

John Matto is the 28th wealthiest Asian in the country according to Britain's Richest Asian 200 list, published yesterday. But he does not believe a word of it.

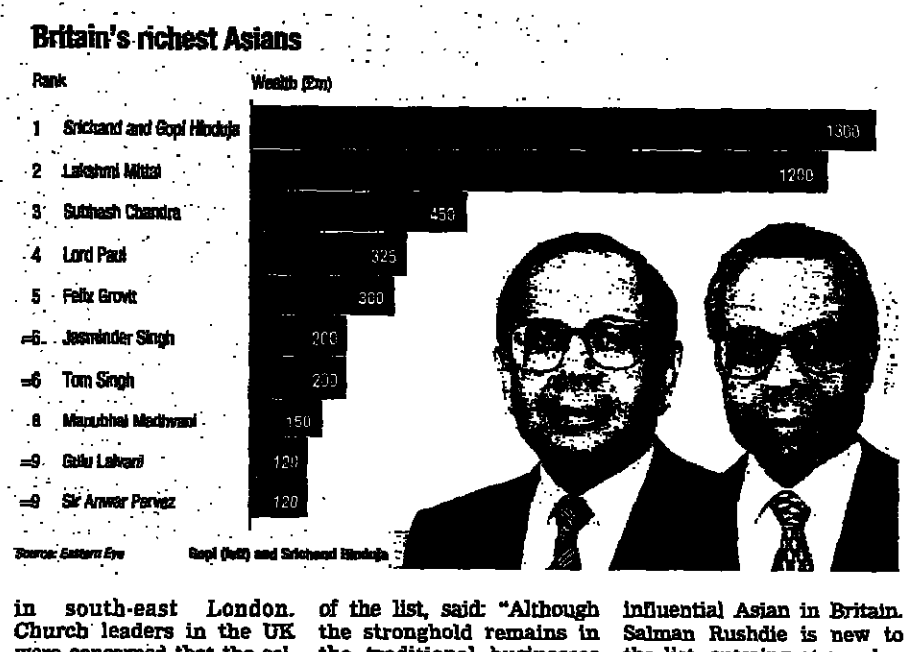
"It's only paper money and half the people on the list are probably not even worth a bag of beans," said the owner of Grasshopper Babywear, who is reportedly worth £36m ($58m). "People's wealth on paper goes up and down like a fiddler's elbow and it's impossible to get an accurate figure. It's all just a load of hype."

In spite of his scepticism, Mr Matto admits he is typical of the Asians on the list in his meteoric rise from poverty to wealth. He said: "I came to England with no money when I was nine years old and I couldn't read, I didn't like the food and I hated the environment. But now I'm a millionaire."

The top 200 Asians in Britain have a total net worth of £7.5bn according to the list published by Eastern Eye newspaper. The top 10 have a net worth of £4.4bn.

Top position is occupied by the Hinduja family, who with £1.3bn net worth have replaced last year's number one, Lakshmi Mittal, who heads Ispat International, the world's fourth biggest steelmaker.

Last year, the Hinduja brothers, who are global traders in finance, industry, oil and telecommunications, controversially offered to underwrite the spirit zone of the Millennium Dome, the controversial structure at the heart of the UK's celebration of the new century being built near Greenwich in south-east London. Church leaders in the UK were concerned that the celebration of 2,000 years of Christianity could be undermined by donations from seemingly secretive Hindu businessmen.



Source: Eastern Eye

Gopi (left) and Srichand Hinduja

Mr Mittal, whose fortune has dropped from £2bn to £1.2bn, has suffered as a result of falling share prices. Although Ispat International had a launch price of $27 in the summer of 1997, its shares at one point sank to about $7.

By sector, the leading area of business among the top 200 richest Asians is food retailing. The fashion sector is the second most popular and has a combined worth of £775m. But the list is characterised by increasing diversification into sectors that are not traditional to Asian business.

Sarwar Ahmed, publisher of the list, said: "Although the stronghold remains in the traditional businesses such as food, fashion and retailing, we are seeing the Asian community diversify into other industries including finance, media, pharmaceuticals and IT."

Mr Ahmed added: "Westerners tend to be embarrassed about their wealth, but Asians feel no shame about it. In the Asian community, power, respect and wealth are all rated equally."

Other Asians featured include Mohammed Sarwar, the Labour MP for Glasgow Govan, who with a net worth of £10m is equal 90th in the list.

Lord Alli, who became Britain's youngest nobleman last July, is equal 135th with a net worth of £6m. He is a close friend of Tony Blair, the prime minister, and is considered to be the most influential Asian in Britain. Salman Rushdie is new to the list, entering at number 151 with an estimated wealth of £5m. The Indian-born author of *The Satanic Verses* is said to have received £1m for his new novel, *The Ground Beneath Her Feet* and can hope to earn up to £5m more this year if he chooses to publish his diaries.

Perween Warsi, the founder of SA Foods, the chilled and frozen food company, is the highest placed woman in the list. With an estimated net wealth of £35m, she is joint 29th. Her husband, who is a doctor, gave up his job to work for her business.

The fastest climber is James Caan, who founded Alexander Mann, the executive recruitment consultancy, in 1985. Last year he held the 153rd position, but now he is 20th.

Directors to win chartered status

By Jane Martinson, Investment Correspondent

Directors are set to join accountants and other chartered professionals after the Institute of Directors won approval yesterday for a new professional standard for board members.

The institute is to accept applications later this year for what it claims is the world's first professional standard for directors after winning the support of the Privy Council, which advises Queen Elizabeth on royal charters. After changes to the institute's 93-year-old royal charter, directors will be able to apply for chartered status.

Mark Watson, corporate governance executive at the IoD, said the move was intended to increase the professionalism of UK directors. The plans were intended to differentiate about 1m people in the UK who call themselves directors. Only 400,000 work for companies large enough to have board meetings; 14,000 sit on the boards of listed companies.

Mr Watson said that while Australia operates a professional diploma for directors, similar to that already offered by the IoD, no other country offered a chartered qualification.

Any director with at least three years of board experience can apply for the title. They will then sit an examination and other tests. After reaching chartered status, directors will have to submit to 30 hours of professional development courses a year.

Former executive at Swiss bank is fined $48,000

By Clay Harris, Banking Correspondent

A former co-head of Swiss Bank Corporation's global asset swap group has been fined £30,000 ($48,300) by the Securities and Futures Authority in London for concealing a "put" option offer.

The SFA said yesterday that Baljeet Janjuah, who left the bank after an internal inquiry, had "failed to observe high standards of integrity and fair dealing." Having been instructed to reduce positions in 1997, Mr Janjuah tried to sell a Y4bn ($33m) medium-term note.

When the note proved difficult to sell, he added a "put" option in an unauthorised side letter. This would have had the effect of keeping the risk with the Swiss bank.

The Swiss bank discovered his action before the note was sold, withdrew the offer and informed the SFA. Mr Janjuah was also ordered to contribute £9,280 to the SFA's costs. He has agreed not to seek re-registration with the SFA until May 5, one year after he de-registered.

Riad Meliti, a junior employee under Mr Janjuah's management, was reprimanded, fined £2,000 and ordered to pay £2,320 in costs.

Separately, the SFA severely reprimanded Leslie Terrence Commons, a former inter-dealer broker at Cantor Fitzgerald International for concealing short positions and losses in Italian government bonds from his management for 10 days in November 1997. He resigned the next month.

A tribunal hearing into disciplinary proceedings brought by the SFA found that Mr Commons had failed to observe high standards of integrity and fair dealing. He was fined £10,000 and ordered to pay costs of £5,000.

Probe into TV show sales

By Cathy Newman in London

An inquiry into sales of British television programmes outside the UK was launched yesterday.

The government inquiry will be chaired by Chris Smith, chief minister for culture. It follows a report yesterday by David Graham and Associates, the consultancy, highlighting the difficulties faced by programme exporters.

The report said the television trade deficit widened to £272m ($438m) in 1997, the latest year for which figures are available.

Although the UK was the world's second biggest exporter of television programmes, the report said, it faced several hurdles if it was to reverse an "overall trend towards greater deficits". The deficit is worsening because of an increasing reliance on imported programmes for cable and satellite television.

The study found that international broadcasters were reluctant to buy a lot of British drama, which they described as too "dark" or "slow".

British comedy, likewise, is losing its appeal in territories where it has previously succeeded. "Our mainstream comedy production has begun to dry up," the report continued.

Executives at a Dutch television channel were critical of British comedies at a recent screening, commenting that programmes were "more irritating than funny", or "just not funny".

Charles Brand, managing director of Tiger Aspect Productions, which makes comedy series for the BBC, said he supported many of the report's conclusions but thought that some of the most peculiarly British comedy succeeded best internationally.

He cited Mr Bean and Basil Fawlty as two British comic characters who are understood and loved abroad.

"I'd rather have a British television industry that is excelling at what it does for its British audiencethan have something that is mid-Atlantic that will end up a pale imitation of what the Americans produce," he added.

However, he backed the study's verdict that British programme-makers found it difficult to export series because broadcasters in this country do not commission as many episodes as their international counterparts.

MONETARY POLICY SIXTH REDUCTION IN SEVEN MONTHS LEAVES OPEN THE POSSIBILITY OF MORE TO COME

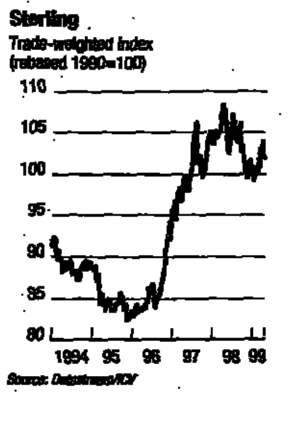
Central bank cuts rates again

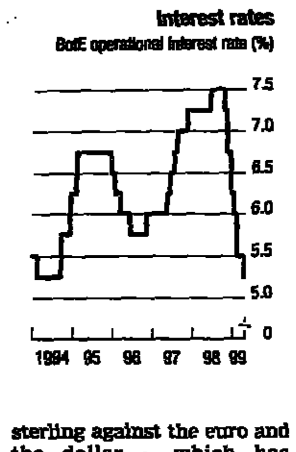
By Richard Adams, Economics Staff

The Bank of England, the UK central bank, yesterday cut interest rates for the sixth time in seven months – and left open the possibility that there may be more to come. The Bank's monetary policy committee voted to reduce short-term lending rates by a quarter-point, trimming the Bank's repurchase rate to 5.25 per cent.

In a break with recent practice, the Bank declined to make a statement explaining its action. It said the public would have to wait until the minutes of the meeting are published in two weeks.

The committee has now cut rates by 2.25 percentage points since last October. The move was widely expected, but doubts had been raised by recent data showing rising house prices, robust service sector activity and a rebound in consumer confidence.





However, the committee may have been more worried by revisions to estimates of activity in the fourth quarter of last year – which showed output growing by just 0.1 per cent compared with the previous quarter – and weaker earnings growth.

The continued strength of sterling against the euro and the dollar – which has caused difficulties for exporters – has also been a serious concern for the bank. In its minutes of last month's meeting, the committee agreed that there was a case for further cuts if sterling remained strong.

Martin Weale, director of the National Institute of Economic and Social Research, said: "If the weakness of the euro or the strength of the pound is sustained, the Bank of England will probably make further cuts."

After the rate cut was announced, sterling firmed against the dollar above $1.605, while interest rate future contracts moved to anticipate a further cut in rates to 5 per cent by the summer.

But some analysts now think the bottom of the cycle of cuts may have been reached. "The worst is over for manufacturing – and the worst was not that bad," said David Mackie, UK economist at the J.P. Morgan investment bank.

Business interest groups welcomed the Bank's move, but both the Confederation of British Industry, the UK's principal employers' organisation, and the British Chambers of Commerce called for further cuts to help industry. Leading mortgage lenders declined to follow the Bank's reduction with immediate cuts to their lending rates. The Nationwide building society [mutually-owned home loans and savings institution] and Halifax bank both said they would wait before making an announcement. Virgin Direct was one of the few to announce an immediate cut in its standard mortgage rate, from 6.7 per cent to 6.45 per cent. Interest rates were last this low in 1994, and last below 5.25 per cent in 1977, when the Labour government dropped rates to 5 per cent.

Consumers have reacted to the earlier rate cuts with increased optimism, according to a quarterly survey out today. Business Strategies consultancy said confidence had increased in all regions of the UK.

See Lex

Mobile phones' health impact to be probed

By Alan Cane in London

The government yesterday ordered an inquiry into the effects of mobile phone use on health after evidence that radiation from cellular handsets may affect users' brains.

The National Radiological Protection Board was ordered to set up a working group of independent experts to identify areas where further research could be beneficial.

"In recent years, research interest in the effects of mobile phones has increased," said Tessa Jowell, minister for public health. "To date there has been no consistent evidence suggesting a risk to health but there is continuing public concern about the possibility."

The Federation of the Electronics Industry, representing most manufacturers of mobile handsets with operations in Britain, yesterday welcomed Ms Jowell's move.

There are about 15m mobile phone users in the UK and the number is expected to double over the next few years.

There have been fears that microwave radiation, emitted by mobile phones, could be implicated in the development of brain tumours, short-term memory loss, skin complaints and headaches. No authoritative evidence has been published implicating mobile phone use in any of these complaints.

But research by a team at Bristol University, published this weekend in the International Journal of Radiation Biology, suggests that mobile phone use may speed up reaction times.

The team, led by Dr Alan Preece and sponsored by the trade and industry department, suggests the effect may be due to localised heating of brain tissue. The study, yet to be confirmed by other researchers, did not detect any effect on short-term memory.

Mobile phone power levels are very low – one watt, compared to 600 watts or more for a microwave oven.

There have been suggestions that this tiny amount of radiation could cause significant temperature increases in small areas of the brain, with unpredictable effects on cell proteins or nuclear DNA.

But all published research to date has failed to show a convincing connection between radio waves and cancer or memory changes in humans. Researchers say the amount of brain heating to be expected from microwave radiation would be less than that experienced after moderate exercise.

Grocery retailers referred to competition watchdog

By Peggy Hollinger in London

The government's fair trade watchdog said yesterday it was concerned about a lack of competition in the grocery retailing sector, as it referred the industry to the Competition Commission.

John Bridgeman, director general of the Office of Fair Trading, yesterday confirmed his decision to refer the £60bn ($96bn) a year industry – which excludes petrol, clothing and financial services.

The inquiry, to take at least a year, will cover 25 national and regional retailers, including Marks and Spencer, Iceland, Somerfield and the "big four" – Tesco, J Sainsbury, Asda and Safeway.

Most supermarkets said they were not surprised at the decision and claimed to be confident the commission would give the industry a clean bill of health. "When the report comes out, they will see that this is a highly competitive industry," said David Simons, chief executive of Somerfield.

David Reid, deputy chairman of Tesco, the market leader, said the inquiry would "cast a shadow over the industry but we believe we have nothing to hide".

He admitted supermarkets often controlled large shares of regional markets but said this did not operate against consumers.

Other retailers suggested the inquiry followed a government-orchestrated campaign. One executive accused the Treasury of fuelling a debate over pricing simply to win popular support.

"We know where this is coming from," he said. "It is Gordon Brown [the chancellor of the exchequer] and his mates going abroad and thinking they see cheaper prices.

"One has to worry when politicians start interfering in industry. You never know where things will end up."

But Mr Bridgeman said the OFT's eight-month inquiry into the big four's profits revealed a "level of profitability which requires further investigation".

He accepted that supermarkets had brought greater choice. But, he said, their size had also brought "tremendous buyer power . . . I have had concerns for some time that this power may become exploitative".

He was also concerned that prices were "often set to match competitors rather than undercut them, particularly in catchment areas where consumers have a limited choice of supermarkets".

NEWS DIGEST

NORTHERN IRELAND

IRA angers relatives over graves of 'disappeared'

The Irish Republican Army is refusing to disclose the locations of the graves of nine of its victims, relatives of the dead said yesterday. The IRA said last week that it had discovered the graves of nine people whom it had killed after "arresting" or "court-martialling" them in the 1970s and 1980s.

According to one of the families of "the disappeared", the IRA said it would not reveal the whereabouts of the bodies until the Irish and British governments had passed legislation giving legal immunity to those identifying the sites. Mary McClory, whose son John was seized in 1978 for allegedly stealing IRA weapons, said: "After all these years I had my hopes up – the IRA shouldn't have done that to me if they weren't ready to end the misery." Helen McKendry, whose mother Jean McConville was abducted from her home in 1972 after comforting a dying British soldier and never seen again, said: "I just want to see an end to this and I'm mad now, mad and really angry that we are still being held up." **John Murray Brown, Dublin**

PHARMACEUTICAL INDUSTRY

Plea over new drugs supply

The pharmaceutical industry yesterday pleaded for new drugs to be made available on the state health service "for patients who need them", even when Nice, the new National Institute for Clinical Excellence, rules against them. Michael Bailey, president of the Association of the British Pharmaceutical Industry, warned that without such an approach the uptake of new products would be delayed.

The government is proposing that the institute will divide new drugs into categories. The first would be where a drug was recommended as clinically cost-effective for routine use, or for specific indications or groups of patients. The industry has no objections to such a move.

But the second category would restrict a drug to use in clinical trials to answer specific questions about its cost-effectiveness or targeting. The industry wants this category amended so that such drugs would be routinely available "subject to further research". **Nicholas Timmins, London**

ACCESS TO FINANCE

Third of companies 'unhappy'

Only 5 per cent of companies have a bad relationship with their bank, but a third are unhappy with the choice of finance available to them, a survey of 1,331 members of the Institute of Directors suggests. The IoD survey, released yesterday but conducted in January, suggests that access to finance remains a particular problem for small firms because they typically lack physical assets which can be used as collateral against loans.

Richard Wilson, the IoD's Business Policy Executive, said the report also showed that entrepreneurs find it difficult to raise small sums of venture capital in the region of £50,000 ($80,500) to £200,000. The report says that retained profits and capital invested by owners and or shareholders are the most popular sources of finance.

While 57 per cent of large companies used term loans to finance their operations, the comparable figure for companies with fewer than 9 employees was 23 per cent. This suggests that the trend for businesses to use loan finance rather than overdrafts is more closely associated with large companies than small firms. **Kevin Brown, London**

BUSINESS AND ENVIRONMENT

$12.5m scheme announced

A £7.8m ($12.5m) scheme to support new technologies that will reduce the impact made by business on the environment was announced by the government yesterday. John Battle, energy and industry minister, said that the three-year scheme aims to encourage technological innovations that will improve efficiency in the use of resources and produce less waste and pollution.

It also aims to help businesses achieve greater social equity in their operations and products. The sustainable technology initiative will also cover social and economic research into barriers to the take-up of sustainable technologies. **Vanessa Houlder, London**

Ford under pressure at top of new car market

By John Griffiths in London

Ford's domination of the new car market is coming under mounting pressure.

This is despite its new Focus model becoming the market leader for the first time in March and its 38,000 registrations since going on sale last October setting a record for the first six months for any car in its size class.

With its Fiesta model topping the charts for the first quarter of the year as a whole, Ford retained its overall market leadership in the year's first quarter. But its share fell to 17 per cent from 18.5 per cent in the same quarter last year – it held more than a quarter of the market a decade ago – and is now fewer than 4 percentage points behind the Vauxhall offshoot of General Motors, which it was once outselling by three to one.

On a year-on-year basis, Rover's share for March slipped to 7 per cent – well behind third placed Peugeot – from more than 10 per cent the previous March. But it might at least be bottoming out. Its share was just under 7 per cent during January and February. As British Leyland, it once commanded half the market.

The underlying message of this year's first quarter figures is that the new car market, once almost totally dominated by the "big four" producers Ford, Rover, Vauxhall and Peugeot, is being broken up by a wider and more successful array of imports. In many cases these imports are being chosen by company car users granted freedom of choice by their employers.

Industry analysts says this is reflected in the big market share gains being recorded by Continental importers such as Renault, whose registrations in the first quarter – at more than 8 per cent of the market – are now running well ahead of Rover, and the Volkswagen group, whose VW, Audi, Seat and Skoda brands are collectively challenging for third in the race for market leadership, with a combined share of more than 11 per cent. Steady gains by Toyota and Honda, each bringing additional models on stream at their UK plants are further eroding the traditional leaders' positions.

UK new car registrations: March 1999

	Mar 1999 Volume	Mar 1999 % Chg	Mar 1999 Share %	Mar 98 Share %	Jan–Mar 1999 Volume	Jan–Mar 1999 % Chg	Jan–Mar 1999 Share %	Jan–Mar 98 Share %
Total Market	370068	73.4	100	100	635942	2.1	100	100
UK Produced	105031	45.0	28.4	33.9	180335	-12.6	28.4	33.1
Imports	265029	88.1	71.6	66.1	455607	9.5	71.6	66.9
Japanese makes	26794	64.1	7.2	7.7	43625	-4.2	6.9	7.3
Ford group	67571	60.5	18.3	19.7	110522	-7.2	17.4	19.1
Ford	66137	61.5	17.9	19.2	108352	-6.0	17.0	18.5
Jaguar	1434	22.0	0.4	0.6	2170	-42.5	0.3	0.6
General Motors	50856	70.8	13.7	14.0	90534	5.3	14.2	13.8
Vauxhall	47593	69.5	12.9	13.2	85482	6.4	13.4	12.9
Saab	3263	88.8	0.9	0.8	5052	-10.5	0.8	0.9
BMW grp	38911	36.3	10.5	13.4	64983	-17.7	10.2	12.7
BMW	13019	93.1	3.5	3.2	22145	6.3	3.5	3.3
Rover	25892	18.8	7.0	10.2	42838	-26.3	6.7	9.3
Peugeot grp	44381	78.5	12.0	11.7	75718	4.0	11.9	11.7
Peugeot	30862	79.7	8.3	8.0	53481	6.8	8.4	8.0
Citroen	13519	75.7	3.7	3.6	22237	-2.2	3.5	3.7
Volkswagen grp	35407	118.5	9.6	7.6	66078	24.9	10.4	8.5
Volkswagen	23807	149.2	6.4	4.5	45833	47.7	7.2	5.0
Audi	4832	37.0	1.3	1.7	9964	-20.0	1.6	2.0
Skoda	2475	25.4	0.7	0.9	3912	-28.2	0.6	0.9
SEAT	4293	274.3	1.2	0.5	6369	60.6	1.0	0.6
Renault	31387	91.4	8.5	7.7	53368	2.9	8.4	8.3
Fiat group	14815	78.3	4.0	3.9	26344	8.3	4.1	3.9
Fiat	13378	73.1	3.6	3.6	23769	5.2	3.7	3.6
Alfa Romeo	1437	113.5	0.4	0.3	2575	48.2	0.4	0.3
Nissan	17850	113.0	4.8	3.9	26645	3.7	4.2	4.1
Toyota	12584	100.7	3.4	2.8	21883	11.2	3.4	3.2
Honda	10983	105.7	3.0	2.5	19131	18.6	3.0	2.8
Mercedes Benz	9282	112.9	2.5	2.0	17019	21.3	2.7	2.3
Volvo	6437	108.1	1.7	1.5	10906	10.5	1.7	1.6
Mazda	5137	86.8	1.4	1.3	7249	-8.4	1.1	1.3
Korean makes	9382	80.2	2.5	2.4	14766	3.4	2.3	2.3

1. GM holds 50% of Saab Automobile and has management control 2. Includes Range Rover/Discovery 3. VW holds 70% of Skoda and has management control
Source: Society of Motor Manufacturers and Traders

هكذا من الأصل

Compassionate: Jared Harris and Jane Adams in the witty and serious tragicomedy 'Happiness', which opens in the UK next week

Rushing into the no-go zone

Nigel Andrews considers why so many cinematic taboos are being broken so fast

Subjects discussed or depicted on screen are becoming our daily bread, and for some their daily dread. It is an amazing time for cinema. As one taboo after another bites the dust, we wipe our eyes and wonder. From serious problem-topics such as child abuse, paedophilia and incest to I-don't-believe-it shots of coital penetration or flying sperm . . . pick your no-go area, movies are entering it.

In the age of *Happiness*, *Seul Contre Tous* and *Idiots* (to name but three of a dozen examples), no less remarkable than the trend has been the response. Or rather the diffuseness of it. Why has a phenomenon quantifiable merely by totting up the barrier-crunching movies of the past 20 months – we don't even have to go back as far as *Crash* – not resulted in 100 commentators donning 100 thinking caps?

The occasional hand-wringing essay on censorship from the right (Daily Mail) or bell-ringing welcome for freedom from the left (The Guardian, Sight and Sound) hardly seem adequate to the occasion. They also address symptoms and effects rather than causes and essence. They ask: "What should we do with the manifestations?" when the question, or first question, should be: "What exactly is manifesting itself?"

Implicit in that question is another: "Why now?" Why in the late 1990s, 30 years after the century's official Permissive Decade (which now seems tame in comparison), are prohibitions tumbling? And on the small screen, not just the large. Channel 4's *Queer As Folk* has pushed the envelope of gay explicitness so far that there is no envelope left: just a crumpled stamp and a dazed four-word address, "Nirvana of no return".

In the cinema, free-expression apocalypses multiply. Child sexuality and incest have been creeping up on filmgoers for over a year: they were present, though not graphically depicted, in two Cannes-premiered art movies in 1997, *The Ice Storm* and *The Sweet Hereafter*.

This year another film about child abuse primed at Cannes (1998) is about to detonate in Britain after spreading controversy all through America: Todd Solondz's *Happiness* (opening next week). In addition, Denmark's Cannes Jury Prize winner *Celebration*, whose plot turns on a father's carnal violation of his children, lately opened in the UK and US. And Tim Roth's *The War Zone* picked up awards at the recent Berlin Film Festival, where judges were unfazed by an explicit central scene between a father and his teenage daughter.

The quality of these films makes dismissive indignation impossible, just as their arthouse provenance may explain why controversy hasn't yet spilled on to the streets. This is not a rerun of the video-nasty era. Back in the late 1970s/early 1980s, bowdlerisers boasted the moral high ground. Anti-censorship crusaders had to speak up for the right to self-expression of lowest-common-denominator tripe such as *Zombie Flesh Eaters*, *I Spit On Your Grave* and *SS Experiment Camp*.

Happiness, by contrast, which won the International Critics Prize at Cannes, is a witty, compassionate, serious tragicomedy with an Altmanesque range of characters. US commentators performed a dance of agony – should they applaud or condemn? – over scenes like that in which a father confesses to his son that he has drugged and deflowered one of the boy's male school-friends. (More than one, it soon turns out.) The father, though led off to jail at the close, is portrayed and played as the most human character in the movie. His actions are not condoned, but nor are they glibly demonised.

Good art is about making us acknowledge and explore what is: it confronts us with the real, not the idealised or prescriptive. Sex is a major motor function of human behaviour

The War Zone is bleaker than *Happiness* and less skilfully styled: actor Tim Roth directs by planting the camera in underlit rooms and letting the actors get on with the ill-nourished script. But we never doubt the film's seriousness. And as spectators we bring more than prurience – a sense of awe and horror, a struggle to understand – to the scenes of father-daughter sex.

Add the French film *Seul Contre Nous* by Gaspar Noe to the litany of incest/pederasty movies and one can legitimately ask: "What is going on?" The last scene in Noe's movie (festooned with prizes, we need hardly add) is a multiple-choice montage in which we watch the butcher hero, in alternative-outcome vignettes, kill his daughter and/or have sex with her. Purity is achieved, the final voice-over asserts, by trampling the last taboo. Since the protagonist is presented as a demented, vicious bigot, we need not rush to endorse this credo. But such is the film's power, we may not be able to stop it haunting us either.

The screen's current obsession with taboo-testing sexual mores – mainly child-oriented, but also spreading into the orgiastic (*Idiots*), the promiscuously or graphically gay (*Queer As Folk*, *High Art*), the hardcore (erection shots in *Sitcom* and *Idiots*) and the comical-explicit (shots of leaping sperm in *Happiness*, the hair gel scene in *There's Something About Mary*) – is surely down to two things. A new millennium, like a new century, is a heady proposition and *fin de siècle* art has always been attracted to the *risky and impudent. History is about to die and be born again* – what better time for moral amnesties, for a heroic flutter with the forbidden in a virtual no-man's time?

But there is more. We are surely looking at a backlash, artist-led, against an era that has been marked by relentless moralising. Lectured silly since the late 1980s about the sanctity and purity of children – a paedocentrism that has led to everything from witch-hunted parents to false-memory furors – the world may finally, through its film-makers, be saying: "Enough. Children are human beings, not little messiahs. They can brutalise. They can even kill, as in the Bulger case. And they have erotic instincts long before parents think they do [a point bravely made by *The Ice Storm*]."

Protect children by all means. Punish their abusers. Keep paedophile acts criminal. But accept, too, that children can occasionally appear to be complicit, as the daughter is in *The War Zone*; that children are born with sexual curiosity; and that the moral relationship between grown-up and child may be harmed rather than enhanced by polarising the adult and pre-adult worlds into Experience (bad) and Innocence (good). That is the brilliance of *Happiness*: the suggestion of a balance of compassion and insight, even a ghostly complicity, between a guilty father and a sobbing son seeking understanding.

Only a libertine, we emphasise, not a liberal, would fail to draw a distinction between taboo-breaking *films that celebrate consensual grown-up sex* and darker movies that anatomise exploitation of the young or vulnerable. TV's NSPCC ad campaign in the UK has as much right to hog the screens as *Happiness* or *The War Zone*. But feature films go further than propaganda, even worthy propaganda. They try to show all the human facets of a disturbing topic: the mind and heart of the exploiter as well as those of the exploited.

Good art is about making us acknowledge and explore what is: it confronts us with the real, not the idealised or prescriptive. Sex is an important motor function of human behaviour. The more that its artistic expression is repressed, as it was in the 1980s/early 1990s by the chill that descended on sexual freedom with Aids, abetted by the shibboleths of political correctness and the more Stalinist extremes of hard-line feminism, the more the topic will break cover at the next opportunity and very probably, as today, make up for lost time.

The cinema's new explorative energy may not confine itself to low-budget arthouse films. The scenes of same-sex intimacy in a semi-mainstream comedy like *Bedrooms and Hallways* would have caused a previous generation to faint in the aisles. And summer 1999 may produce the biggest crossover *cause célèbre* of all. What should Stanley Kubrick, the man who made art cohabit with studio money, have left us as his last cine-testament but a film in which sex comes to the movie mainstream? Tom Cruise and Nicole Kidman without clothes, without (it's rumoured) *inhibitions, in a tale of private fantasies* made real. This is a dangerous, exciting, provocative time for ticket-purchasers. Queue now while freedom lasts.

Fine Hamlet but where's the heart?

THEATRE

ALASTAIR MACAULAY

Hamlet
Young Vic, London

Some actors have Hamlet thrust upon them, but not so Paul Rhys. This still young actor has risen during the 1990s through stage work and through film: and his qualities – nobility of spirit, good looks, vulnerability, light wit, the persona of a keen scholar and shy undergraduate – all equip him to play the most famous protagonist in world drama. In the event, he proves the best English-speaking Hamlet that London has seen for four years, and he belongs to the best English-speaking production of *Hamlet* that London has seen during the same period. The play has scale and import again.

But not heart. Laurence Boswell's production and Ed Devlin's designs make Hamlet out to be one of the most modern persons in the play amid a period-look court – yet Rhys never feels that way for a minute.

He is surrounded by a largely excellent cast. With Horatio, Laertes and Polonius, Shakespeare's lines seem new-minted: with Gertrude and Claudius, the words are poignant, absorbing, disturbing. Rhys, however, has neither the communicative immediacy nor the mental force to match them, let alone to fill his role. He brings to Hamlet a light tenor voice, slightly too reedy in timbre to carry so long a role interestingly, but with an affecting natural vibrato; and his voice is so placed in the mask of his face that it always sounds spontaneous.

But he employs a peculiarly prettified diction, a super-refined BBC Welsh English, that sets him apart from us and from his colleagues. You simply cannot hang on to his soliloquies, partly because you are distracted by his utterance; when he says "smile, and smile, and be a damned villain", it is not his sense but his syllables that command attention. Particularly in every scene with Horatio (Richard Lintern) and Polonius (Robin Soans), it is his opposite number whose every word commands attention. When this Polonius is unintentionally absurd, you laugh out loud. When this Hamlet scores witty points at Polonius's expense, you see that he has wit; but you don't laugh. Or even smile. And so this protagonist, who should have the inner ear of the audience, speaks to us instead from a strange distance.

Rhys is an intelligent actor. Though he could coast through roles on sheer pretty-boy glamour, he increasingly eschews glamour-acting. At first, I was absorbed by his characterisation: a student red-eyed with weeping, the sudden brief shy smiles and then the nervously downcast eyes, the modest authority. Gradually, however, as the production illustrates his increasing alienation from the court, his character grew less interesting. The falsetto giggles and squeaks, the pained distinction of manner, the wry way of taking Yorick's skull into the bath with him: all these were clever ideas of whose cleverness Rhys never shows us the point.

Boswell, directing, must take some of the blame. But I like very much the economy and shape of the rest of his production. The appearance of the Ghost has impact: the Fortinbras scenes show the wider political aspects of the play; the Polonius household has intimacy: Claudius (Donald Sumpter) and Gertrude (Suzanne Bertish) give surprisingly multi-faceted, quiet readings of their roles; and Richard Lintern's Horatio is the most natural and modern character on stage.

As usual, alas, the (very elusive) role of Ophelia falls into two halves: Megan Dodds is too pallid and contained at first, then too artful and fakey in the mad scenes. Devlin's designs distinguish between the battlements, the court, etc., with ideal simplicity and force. I would like to see this *Hamlet* again, but – to my surprise – not because of its Hamlet.

Intelligent: but Rhys doesn't quite carry the role off Nigel Norrington

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: programme combining the Dutch premiere of 'Acts of Light' by Martha Graham, with the world premiere of Krzysztof Pastor's 'Bitter Sweet', and Balanchine's 'Symphony in C'; Apr 9

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with sets by Eduardo Arroyo and a cast led by Vladimir Bogachov and Timothy Nobel; Apr 10, 13

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Tokyo Ballet: in the German premiere of Maurice Béjart's staging of The Nutcracker; Apr 14, 15

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
High Renaissance in the Vatican: Art and Culture at the Papal Court (1503-34). Works from the early 16th century, which saw Rome establish itself as the centre of art in Europe, with the Vatican commissioning works by artists as Leonardo da Vinci, Michelangelo and Raphael; to Apr 11

GENEVA

DANCE
Bâtiment des Forces Motrices
Tel: 41-22-418 3000
Ballet du Grand-Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with designs by Gérald Poussin. With the Orchestre de la Suisse Romande conducted by Thomas Rösner; Apr 9, 10, 11, 12, 13, 15

LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
www.barbican.org.uk
London Symphony Orchestra: conducted by Michael Tilson in works by Charles Ives, Carl Ruggles and Bruckner; Apr 15

Royal Festival Hall
Tel: 44-171-960 4242
● Academy of St. Martin in the Fields: Sir Neville Marriner celebrates his 75th birthday. Programme includes works by Mozart, Britten, and Mendelssohn; Apr 14
● BBC Philharmonic: conducted by Yan Pascal Tortelier in a programme of British works, featuring the BBC Singers; Apr 10
● London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian and Dvořák; Apr 9
● London Philharmonic Orchestra: Sir Roger Norrington conducts Haydn's Creation; Apr 11

EXHIBITION
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Patrick Caulfield: major retrospective of the British pop artist; then touring in Europe and the US; to Apr 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 9, 15
● Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveaux's production; Apr 10

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
● Los Angeles Philharmonic: conducted by Hans Vonk in works by Webern, Mozart, and Schubert, with piano soloist Lars Vogt; Apr 10, 11
● Los Angeles Philharmonic: Emmanuel Krivine conducts with Martha Argerich on piano in works by Richard Strauss; Apr 15

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Marc Chagall: Jewish Traditions. 40 paintings by the Russian-French painter, produced between 1909 and 1976; to Apr 11

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Yakov Kreizberg in works by Schubert, Mozart and Shostakovich. With piano soloist Mitsuko Uchida; Apr 10, 13, 14

NEW YORK

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Our New Clothes: Acquisitions of the 1990s. Includes works by American designers Geoffrey Beene, Calvin Klein, and Giorgio di Sant'Angelo; to Aug 22

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 9, 13
● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo Galina Gorchakova and Olga Borodina; Apr 10, 15

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan; Apr 13
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Apr 15

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 11, 14

PERUGIA

EXHIBITION
Galleria Nazionale dell' Umbria
Tel: 39-075 574 1247
Beato Angelico and Benozzo Gozzoli: Renaissance Painters. Organised to mark the 500th anniversary of Fra Angelico's death, this show includes missing sections of his Polittico dei Domenicani, lent by the Vatican so that the restored polyptych can be seen in its entirety; to Apr 11

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Weegee: New York night life in the 1930s and 1940s is featured in the pictures of the American photographer. People pictured include musicians, strippers, and celebrities; from Apr 10 to Jun 20

TOKYO

DANCE
NHK Hall
The Royal Ballet: the British company's tour opens with Swan Lake; Apr 11

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies, based on the ancient fable. The director is Colin Graham and the conductor is Richard Bradshaw; Apr 13, 15

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood; with a cast led by Leo Nucci and Eliane Coelho; Apr 9

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m).

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Missing emotions

It is worrying that Tony Blair's constitutional revolution is being conducted with so little passion, and no idea of where it will end

A revolution rolls on and a nation sleeps. Tony Blair's government has rewritten the rules of British politics. An ancient, stultifying constitution has been torn up. Yet its replacement is at best half-drawn. Even for its supporters, this uniquely unnoticed revolution should be cause for trepidation as well as celebration.

So far the predominant emotion has been apathy. A dozen bills of constitutional significance have passed through parliament. Within a month Scotland will have a parliament and Wales an assembly. If peace endures, Northern Ireland will also return to self-government. And even now the House of Lords is debating the defenestration of its hereditary peers.

Beyond the walls of Westminster, the response has been a yawn. The populace is promised more democracy. Yet reform of the nation's political institutions has stirred as much passion in the nation as that arcane debate in the European Union about what's meant by subsidiarity.

When the people wake up – and one day they will – they will do so with a jolt. The centralised unitary state on which Britain built its empire will have gone for good. Far less certain is the context and coherence of the political settlement which replaces it. The boundaries between new and competing centres of power are unmade. The break-up of Britain – the dire prediction of constitutional reactionaries – is far from inevitable. Yet it is possible. Starting a revolution is easy. The snag is you never know where it is going to end.

This explains an acute unease felt elsewhere in western Europe. Spain, struggling to survive Catalan and Basque separatism, lives in dread of the rise of Scottish nationalism. The Italian government likewise fears the British experiment will be grist to the mill of the separatist Northern League. In France, where power is hoarded at the centre, there is incredulity. How could such a centralised state, they ask in Paris, so recklessly divest itself of power?

And here we come to a central paradox. The author of this great transformation seems scarcely moved by its significance. When the history of the Blair years is written, the pages will open on the constitution. Devolution in Scotland and Wales, reform of the Lords, proportional voting systems, a new primacy for European human rights law, elected city mayors – the list goes on. The stifling authority of the Westminster parliament is being shattered in a manner unthinkable only a few years ago. But this is not what the prime minister really wants to be remembered for.

Confronted on this point, Mr Blair shows a certain irritation. He dismisses the idea that constitutional reform is the unwanted legacy of the late John Smith, his predecessor as Labour leader.

His own vision of a modern Britain, he will tell you, has long included the remaking of the relationships between its constituent nations. Apparently, he has speeches from a decade past to prove it. And in Scotland the rise of the Scottish National Party meant the status quo was anyway not an option. The choice he had on entering 10 Downing Street was between devolution within the Union of the United Kingdom or separation.

All this is said with sincerity. And utterly without passion. Beyond the prime minister's speeches on the campaign trail, there is a telling silence. I can't recall his last speech on the broad purpose of an upheaval as profound as anything Britain has witnessed since the 17th century.

There is something else missing. On every other big subject I can think of – Europe, the economy, the welfare state – Mr Blair conveys a sense of certainty. He may tack here, weave there, but you feel he knows the destination.

For the constitution, I detect no such grasp of the finality. His sightline is set low. What matters is winning majorities for New Labour in Scotland and Wales.

As for the Lords, it's almost enough to expel the hereditary peers. Sure, an independent (just about) commission will pronounce on further reform of parliament's second chamber. But, rather in the manner of Henry Ford, Mr Blair will take anything as long as it is minimalist. As for the incorporation into domestic law of the European Convention on Human Rights, we are to believe that this new supranational guarantee of fundamental rights will change everything and yet somehow change nothing.

All this settled, Mr Blair seems to suppose he can return with a sigh of relief to what he thinks of as the "real people" issues – the economy, health, education.

He can't. This is an approach that ignores the dynamics of politics. As energetically as he is dispersing power, Mr Blair seems to imagine he can hoard it. But you cannot half- or three quarters-reform a constitution. To change one element is inevitably to disturb the equilibrium elsewhere.

Thus to reform the House of Lords is to expose the idiosyncrasies and anomalies which disfigure the House of Commons. To assert the primacy of European human rights law is to remind us of the absurdity which puts the Lord Chancellor, a member of Mr Blair's cabinet, in charge of a supposedly independent judiciary.

New Labour may well win the first elections to the Scottish parliament and the Welsh assembly. But these elections are the beginning, not the end, of devolution. The creation of the new legislatures will lead to a great crashing of constitutional gears as they define their relationships with Westminster.

In theory, the respective powers are delineated. In practice, the Scottish and Welsh electorates will determine where power resides. There are already looming rows over how Scotland's interests are to be represented in the European Union. And what is to be done if Scotland, say, rejects the environmental obligations to which Westminster has committed it by international treaty?

Then there are the English. Self-government for Scotland and Wales has yet to disturb the conviction that England is best ruled from Westminster. But as others take greater charge of their own destiny, the English too may begin to acquire a taste for more democracy. And why, they may ask, do Scottish members of the House of Commons retain a say in the way England is governed while denying the same right to English MPs? On what basis does Scotland, richer than many English regions, claim a higher share of public spending?

There are answers to these questions. They lie in the deeper, largely unspoken logic of Mr Blair's revolution. The way nations govern themselves has to catch up with the revolution in our economic, social and cultural lives. The 19th-century model of the nation state has been left behind by the tidal shifts of the 20th. The global reach of economic power demands a similar remaking of political institutions.

Power is being driven upwards to supranational institutions like the European Union. But people also want democracy closer to home. The more global we become, the more local we want to feel. The institutions of the old nation state have to adjust, to provide both a conduit and a buffer between the new centres of democracy.

Mr Blair's prescription may work. Britain thrives as a multi-cultural state. It may do so as a multi-national one. But it is foolish to imagine the outcome is pre-ordained. Change always threatens conflict. It needs to be explained and argued for, not least by its author. Revolutions, even silent ones, are ever unpredictable.

LETTERS TO THE EDITOR

Telecom Italia's shareholders are best placed to judge Olivetti bid

From Mr Roberto Colaninno.

Sir, I understand that the editor of Lex has encouraged his staff in their daily work by telling them that the column "should not be afraid to be wrong". In his note of April 8, as with his assessment of Olivetti's chances of delivering shareholder value during its two years of recovery, he has not been afraid to lead by example.

Needless to say, we strongly disagree with the column's opinions as expressed in Thursday's note. But of greater concern is the *Lex* editor's determination to ignore some simple facts which were communicated in a briefing requested by him on the day of writing.

Firstly I would point out that what Lex has been happy to translate as a threat by me against Telecom shareholders can only be explained by a light knowledge of Italian. An accurate translation would have revealed no menace of the kind implied.

As Lex knows, the complaint that Olivetti has failed to publish a formal document is invalid. No such document can be published until Italy's Consob has given its approval. Seeking this before the Tecnost and Olivetti capital increases were approved by shareholders and by the competent judicial authorities would have been unthinkable.

Also, in a previous briefing, the same journalist was told that Olivetti has very clear ideas on how it would have run Telecom Italia. However, since key senior appointments will involve individuals currently working in other companies, it would be entirely wrong to make these names public.

What is more, it has been explained to the same writer on a number of occasions that in his so-called "Chinese boxes" effective "control" exists only through ownership of more than 50 per cent of the voting rights in each "box", something which does not exist at any level in Olivetti.

If these factual errors were not so grave, you might expect me to detail why Olivetti believes spending trillions of lire of Telecom Italia shareholders' money buying in minorities in the TIM mobile subsidiary – a business which Telecom Italia already controls – is a waste of precious shareholder resources and massively dilutive at the earnings per share level.

You might also expect me to question whether Telecom's proposed conversion of savings shares has anything to do with an unshakeable belief in a simplified capital structure, rather than being a value destroying attempt to construct a poison pill to keep Telecom's board safe from any takeover.

Lex's criticism of our €11.5 per ordinary share offer as "middling" – a 58 per cent premium over the price at the beginning of this year and a 23 per cent premium over the closing price on April 8 – might also raise eyebrows.

However, these are matters which I believe Telecom Italia's shareholders are best qualified to judge.

I hope that, in the same way that I have been only too prepared to admit publicly to our mistakes, Lex will have the courage to do the same.

Roberto Colaninno,
Olivetti chief executive officer,
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Value of professional interpreters

From Mrs Frances Calder Hemmant.

Sir, Mr Shijuro Ogata's letter (April 1), on the need for the Japanese to learn English rather than relying on interpreters, demonstrates one of the reasons for his problems.

He refers to professional interpreters being obliged to "translate vague expressions literally" and points out the difficulties this can cause.

A professional concentrates above all on conveying the meaning and the sense of what a speaker is saying, and this involves being fully aware of the and attitudes that are being expressed by someone from another culture.

Mr Ogata's belief that even a poor English speaker will do better not to use an interpreter reflects experience of inadequate ones.

One problem may be the cost of such an interpreter. In the UK a real professional will cost around £400 a day, and that means £400 to the interpreter, not roughly the same sum to an agency, which will take a cut of around a third, often more.

Recruiters often fail to understand that the interpreter is also the chairman, keynote speaker, the chief negotiator – hiring someone who simply speaks another language is not enough.

Sensible advice to Mr Ogata would be to find true professional interpreters for formal business meetings.

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PERSONAL VIEW AMITAI ETZIONI

Protecting privacy

The use or sale of personal information, such as financial or medical records, should be regulated. Unfortunately, the EU Data Privacy directive is not the way to go about it

Sweden is suing a US airline for collecting names of passengers who ordered Kosher meals, or wheelchairs. The US company was selling the information to marketing companies.

The lawsuit reflects the fundamentally different perspectives that Europe and the US have on privacy.

This gulf is highlighted by the EU Data Privacy directive of October 1998. It demands that company use of personal information be preceded each time by the explicit consent of the person involved; that the use be limited to the purpose for which this consent has been given, and that any repeat use or resale be preceded by a repeat permission.

Moreover, the EU considers privacy to be an inalienable right, meaning that a person cannot "contract" to give permanent or encompassing access to information about him or herself in exchange for a fee.

If US companies do not abide by the directive, the EU is threatening to block the flow of information about personal transactions – credit cards, employment records, etc – of European citizens to the US.

Such a boycott would make work and commerce damn near impossible for many corporations that operate on both sides of the Atlantic.

Since October, the US Commerce Department has been negotiating with the EU over a formula to fudge the issue. Fudging is sought because there is no way on earth – given its laws, culture and politics – that the US would never truly abide by the EU directive. Neither, in my judgment, can Europe.

The issue is a problem because powerful computers and new software have allowed more and more companies to keep detailed records of their customers' habits and preferences, right down to taste in cereals and towels, shoe or bra size. Companies buy and sell sell these facts to fine-tune their marketing strategies, or to tailor advertising.

The EU directive imposes a very heavy cost on the use of personal information. Given that there are many hundreds of facts about every person, and that the average fact is likely to be relayed several dozen times, a person would have to spend a great deal of time at his or her computer agreeing to or rejecting requests to use information about themselves if the directive were to be taken seriously. Those who do not have a personal computer had better buy larger mail boxes to accommodate all the written requests for consent.

One might suggest that people who have computers could program them to respond to consent requests by using categories, for example, refusing all requests on medical and financial information but granting all requests about consumer preferences.

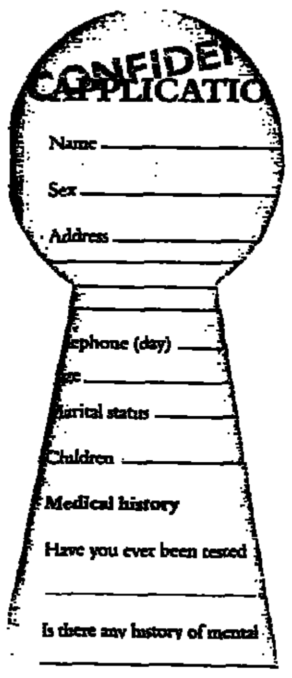
Indeed, Michael Dertouzos, director of the *MIT Laboratory* for Computer Science in Massachusetts, reported to the World Economic Forum in Davos this year that MIT was about to release such a program, called P3P.

The EU directive, however, explicitly prohibits such automated responses – consent must be given in person. And Nadine Strossen, the head of the American Civil Liberties Union, has expressed horrified opposition to any such programs because they would "disclose one's privacy preferences". That is, they would show if we are shy about the kind of journals to which we subscribe or the undergarments we order.

When several people in Germany, Spain, Austria and France were questioned recently, they all indicated that they received very few requests for permission to use information about themselves.

It seems that this EU directive is one of those laws that is enacted to keep one group – privacy advocates and their followers – happy and, as a rule, is not enforced so that commerce and life can continue.

The differences in law, culture and politics mean the US would never truly abide by the EU directive



What realistic measures could be undertaken to shore up privacy?

Before this matter can be addressed, a more general philosophical question must be answered: which principles should guide our policy?

Some argue that privacy is a matter best left to the market. People who hold their privacy dear are free to shop only with companies that promise to protect their privacy. Such shopping would either drive out of the market those companies that do not guarantee to protect privacy, or would limit their sales to those who cared little about privacy. Solveig Singleton, director of information studies at the libertarian Cato Institute in Washington, believes the privacy issue is vastly overblown. So what if we receive a few more pieces of junk mail?

Even if one believes that new privacy protection is needed, particularly in the light of recent cases of unauthorised disclosure of private medical information, this protection need not take the form of new government regulations or EU directives.

Cyber-age privacy protection can be eclectic. It can be pieced together from several sources but not make individual consent or government regulations its mainstay. Specifically, privacy would be best protected if the guarantees came from four sources.

First, there are new technologies that help enhance privacy rather than weaken it. These include software that ensures anonymity on the internet, encryption of messages and transactions, and audit trails that determine who accessed a file and thus deter unauthorised queries.

Second, self-regulation should be encouraged. This has already begun. A number of US corporations, for instance, have announced they will refrain from collecting information about children who are 12 years old or younger without the consent of their parents.

Third, some limited new government regulations might be needed for medical privacy. There is no federal legislation in the US, for example, that prohibits the disclosure of information relating to abortions, cancer, or mental illness.

Fourth, there may be a case for individuals giving their consent for the use of private information, but not in the form of explicit, prior, case-by-case authorisations.

This kind of consent appeals to our concept of individual liberty. But if we are not to spend our days responding to privacy queries, then the delegation of such consent to some computerised or human agent is unavoidable.

There may well be other ways to proceed but we shall not be able to find what these are until the illusions fostered by the new EU directive are swept away.

The author is a professor at George Washington University in Washington DC

COMMENT & ANALYSIS

FINANCIAL TIMES
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Friday April 9 1999

European rates of change

At last the European Central Bank has cut interest rates in the euro-zone. The cut of half a percentage point is overdue, but still extremely welcome.

The ECB should not have waited until now to cut interest rates. The US Federal Reserve and the Bank of England have both reacted vigorously to the slowdown in the international economy. The Bank of England, which has already reduced its repo rate by 2 percentage points since last October, yesterday cut interest rates by a further quarter point in response to lower growth, and signs of receding inflationary pressure.

Admittedly, the ECB could point to very low nominal short-term interest rates by historical standards. It could also note the weakness of the euro, which has helped to ease monetary conditions.

Yet in the real world, it has been clear since the euro was launched in January that deflation, rather than inflation, is the greater risk in Europe. Germany and Italy have been particularly weak. These two economies account for more than half of economic activity in the euro-zone. France has been stronger – but there is no sign at all of any French inflation.

Inflation for the euro-zone as a whole was just 0.8 per cent, on the harmonised index, in February. Even with the ECB's half-point cut, real short-term interest rates are still comparatively high in the big euro-economies, given the economic sluggishness of today.

In the euro-zone as a whole, the real interest rate is 1.7 per cent. In Germany, where output shrank in the last three months of last year and the general price level is close to falling, real rates now stand at 2.4 per cent. US real rates are 3.2 per cent, though the US economy grew by more than 6 per cent on an annualised basis in the last quarter of 1998.

Having insisted there was no need for any interest rate cut until now, the ECB has been forced to cut rates by a half a percentage point. It is unlikely this will be enough to return Europe to robust growth. Further interest rate cuts may well be needed.

Yet looser monetary policy is not enough. European governments should also push forward the liberalisation of their economies. Europe's problems are partly the result of insufficient demand, but there are also structural defects to be remedied. Governments must now start on the long-avoided path of difficult reform.

It is a pity that the euro's 100th day will not be celebrated tomorrow with the optimism of its launch. But the ECB does now appear to be responding to the economic pressures rather than reacting adversely to the political ones. That is a welcome advance. If the euro-zone is to thrive, politicians must show boldness, too.

Defiant chaebol

South Korea has received many accolades for its response to the economic crisis, but more effort is still needed before it can return to a path of stable growth. Disappointing debt figures from the biggest conglomerates – or chaebol – this week are a reminder of the challenge still facing the government of President Kim Dae-jung.

By the end of the year, the top five chaebol are supposed to reduce their gearing to 200 per cent, a level which would test the limits of prudence for most normal companies, especially in an age of low inflation. But average gearing at the top five is still 386 per cent. Even this was achieved through asset revaluations and capital increases rather than the sale of unwanted businesses. Without asset revaluations, the two worst offenders, Daewoo and Hyundai, would have gearing of over 500 per cent.

Poor financial management by the large chaebol, an obsession with size, and reckless investment in uneconomic projects were significant causes of Korea's financial crisis. Unless these habits change, problems will surely resurface. But so far the chaebol's family owners have paid only lip service to the need to slim down. Their main effort has gone on a fierce rearguard action against reforms that would weaken their stranglehold on the country's economy.

Hyundai and Daewoo, which have both increased their gross debt over the past year, might think they can escape penalty by arguing that they are too big to fail. Yet the government's desire to avoid a fresh banking crisis must be tempered by the need to maintain the credibility of its reform programme.

President Kim has shown an inclination to be tough with the chaebol. Yesterday's launch of an investigation into purchases of Hyundai Electronics shares by other companies in the Hyundai group is a case in point, but it is only another investigation. Too often there has been failure to follow through.

In the long term, there is no escape. Hyundai and Daewoo cannot survive indefinitely with such levels of leverage. The bullet must be bitten at some stage, even if it hurts the banks. One approach would be to oblige Korea's still mostly state-controlled banks to turn excess debt into equity. The banks could then insist on the appointment of new management willing and able to make real cuts in the chaebol's bloated operations.

This is a considerable challenge with an election looming next year and a continued threat of labour unrest. Yet if he is to retain his place in history as the man who modernised Korea's economy, it is one which President Kim cannot afford to duck.

Withholding tax

The European Commission and the German presidency are at last showing greater willingness to explore possible compromises over the proposal to impose an EU-wide 20 per cent withholding tax on income from savings and investments.

This is welcome, and indicates that the harmful consequences of the proposed directive for the European financial services industry in general, and the international bond market in particular, are starting to sink in.

But the best that can be said of the ideas now circulating in London and Brussels is that they would limit the damage; they do nothing to redeem the fundamental flaws in the withholding tax directive.

The suggested compromise involves distinguishing between retail and wholesale investors. Bond issues which cannot be held in units less than, for example, €40,000 could be classified as wholesale, and exempted.

That would preserve one of the principal aims of the withholding tax directive, which is to clamp down on tax evasion by retail investors. It might at the same time, if a distinction can be worked out in enough detail, allow the wholesale international bond market to escape the burdensome administrative requirements a withholding tax would entail, and avoid driving the entire industry to Switzerland.

The €40,000 threshold is, nevertheless, fraught with difficulties. Some are technical – should the threshold apply to denominations or holdings, what exchange rates should be used for bonds denominated in other currencies – but others are more significant. In particular, it would still drive the retail bond market away from the EU. Moreover, the dematerialisation of bond certificates makes it harder to ensure that smaller investors are not getting round the limit by pooling their holdings.

More fundamentally, while a retail/wholesale distinction might, conceivably, work for future bond issues, a more sweeping exemption would be needed for existing issues if a new withholding tax is not to trigger the early redemption clauses which are a feature of many outstanding international bonds.

Worse still, exempting the international bond market would do nothing to mitigate the impact of a misconceived tax on deposits. Bonds may be important to the City of London, but so too is the private banking industry.

That is why the UK government should not be tempted by the scent of compromise into weakening its determination to block the withholding tax directive – especially now that Luxembourg, whose interest in the issue is even greater, has declared its firm hostility.

The deflationary ogre smiles

The European Central Bank has a reputation for being too tough on inflation. Now it has slashed interest rates. Alan Beattie looks at how the decision will affect different euro-zone countries

It is interest rate-cutting season in Europe. Yesterday, the European Central Bank reduced interest rates for the 11 member countries of the single currency area, cutting by 50 basis points to 2.5 per cent.

It was the first cut since the launch of the euro on January 1 and only the second time Europe has lowered rates since last October, when worries about the state of the world economy became more acute. The cut came on the same day that the Bank of England cut rates in Britain by 25 points (see below) – the sixth such move since October.

The ECB's cut was bigger than expected. "Many thought they would be more cautious, says Alison Cottrell, chief international economist at Paine Webber. "But it will have much more impact for being done in one go." She added that "this cut will be an enormous psychological advantage at a time when business confidence in the euro-zone is starting to turn. It also opens up the scope for more rate cuts elsewhere in the EU."

The ECB's decision was made with the whole of the eurozone in mind. But one drawback of European monetary union is that it forces divergent economies under a single interest rate yoke where one size must fit all. What might be appropriate in Dusseldorf could be completely wrong in Dublin. So how appropriate was it for those countries which do not conform to the euro-zone average?

Using euro-zone-wide growth and inflation indicators, the case for a cut in interest rates looked strong. As Kit Juckes of NatWest GFM points out, before the cut, long-term real interest rates (long-term rates minus inflation) were only half a point lower in the euro-zone than in the US. Given the contrast between the US, whose economy is growing quickly with little spare capacity, and the sluggish euro-zone, the difference looked "ludicrously narrow", Mr Juckes says.

But this overall picture masks large national disparities. In different countries, the same nominal interest rate can be tight or loose in real terms, depending on local inflation. For example, in Germany, inflation is 0.1 per cent, so real interest rates are now 2.4 per cent. In Portugal, inflation is 2.7 per cent, so real rates are actually negative. This is the opposite of what economics would normally demand: Germany, whose economy is doing poorly, needs looser monetary policy; Portugal, where inflation is rising, needs it to be tighter.

So yesterday's decision will have been more welcome in some countries than others.

Analysts often use Germany, the biggest economy in the euro-zone and about a third of the total, as a proxy for the area. Traditionally it has tracked gross domestic product in Europe well. But recently, Germany has looked more like an outlier. The gap between its growth and that in the next two largest members of the euro-zone, France and Italy, is at an eight-year high.

Having contracted at an annualised rate of 1.6 per cent in the fourth quarter of 1998, few think Germany will return to its long-run trend growth rate before next year, not least because part of the problem is the country's reliance on manufacturing, which has been hit hard by the global slowdown. So this is the economy where the need for interest rate cuts is the most apparent.

Also sluggish, but less urgently in need of a boost, are the next two largest economies, France and Italy. Manufacturing has suffered in both countries, as in Germany. But the resilience of the French service sector, buoyed by strong consumer spending and rapid expansion in high-growth areas such as telecommunications, has kept the overall economy out of recession. Output rose 2.8 per cent in 1998.

In Italy, growth has been lower (0.9 per cent last year) largely because of a poor trade performance in 1998. Exporters have been deprived of their traditional escape route of a weakening lira. But while exports are not expected to bounce back in the near future, consumer confidence remains high. As long as Italy can avoid being sucked into a recession by its euro-zone partners to the north, a relatively small boost to demand could well push economic growth back up. So it should benefit from the cut.

For the smaller countries in the euro-zone, however, the case for lower rates on domestic grounds is much less pressing.

The performance of the Benelux countries' manufacturing sectors has been affected by the weakness of Germany. But consumption remains strong, and the debt and deficit position of Belgium and the Netherlands seem to be improving, reducing the possibility that they might have to tighten their fiscal policies. And at a time of high joblessness, the Dutch unemployment rate of around 4 per cent is a third of the euro-zone average, testament to the country's much-discussed "active labour market policy" (which puts heavy emphasis on training to make people fit for work). For these countries, the impact of the rate cut depends largely on its effect on Germany.

Finland, whose economy grew by nearly 5 per cent in 1998, is also not obviously in need of a stimulus, despite the fall in export demand arising from the Russian crisis. Austria is in a similar situation. Neither of these countries saw any obvious need for a rate cut.

Finally, in some high-growth countries with worrying signs of inflation, the rate cut could actually be damaging. Economic growth in Spain and Portugal is expected to continue above 3 per cent for the next two years, far outstripping the euro-zone average. These two countries also have higher inflation as a nagging worry which lower interest rates will do nothing to improve.

But both look like models of sober respectability next to Ireland. With economic growth at 10 per cent in 1998, Ireland is showing clear signs of over-heating. With house and share prices rising at nearly 40 per cent, the asset market is looking distinctly bubble-like. Consumer price inflation so far has been held down by low commodity prices and the falling cost of imports. But if global demand and inflation recovers, this could rapidly be reversed.

The last thing Ireland needs is a cut in interest rates. But with policy-makers targeting the euro-zone average, and Ireland comprising a mere 1 per cent of the region's economy, Irish inflation would have to reach Latin American proportions to register on the ECB's radar screen.

This problem is not unique: the Federal Reserve faces similar challenges in the US. But not only do high labour mobility and massive fiscal transfers from one state to another help to smooth out differences, the response to monetary policy changes is believed to be relatively uniform.

That is not necessarily true in the euro-zone. Countries may react differently to changes in interest rates, making the ECB's decision doubly hard.

For example, if a country has a large stock of floating interest rate debt (eg mortgages), it will react much faster to a change in rates than a country with fixed rates or less debt. This means a rate cut will boost domestic demand in Ireland – where 80 per cent of people own their homes and holdings of mortgage debt are high as a result – more than in Germany, where mortgages are comparatively rare. Conversely, when rates rise, Irish mortgage holders will be hit disproportionately hard.

Many analysts say the ECB's interest rate decision will affect countries mainly through its impact on the international value of the euro, which some expect to fall. But here too, individual countries may react differently to changes in the euro's exchange rate, depending on how open their economies are.

And the trouble is that no one really knows what their behaviour might be because the creation of the euro-zone will itself have changed the nature of the reaction. Before the advent of the euro, Germany was one of the large countries most vulnerable to currency fluctuations because it exported more than a quarter of its gdp. It still exports that much but since a large amount goes elsewhere in Europe, the creation of the euro-zone has greatly diminished Germany's sensitivity to exchange rate change. Exports outside the euro-zone comprise only 14 per cent of the German economy. Some smaller euro-zone countries such as Ireland, Finland and Belgium, whose economies do not need a demand boost, are much more exposed to trade outside the euro-zone.

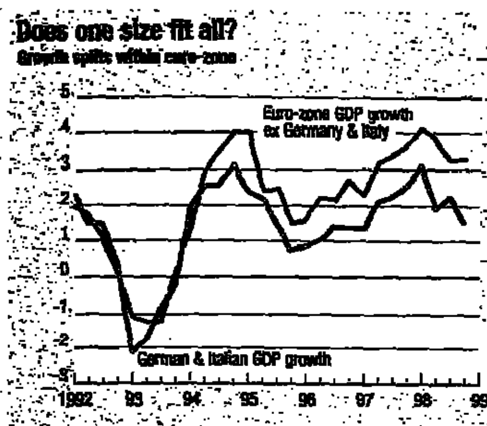
In any case, relying on a weaker euro to get the euro-zone economy going does not seem to be a sustainable long-term strategy. With the US current account deficit heading towards $300bn, any suggestion that the ECB was deliberately embracing competitive devaluation would not go down well in Washington.

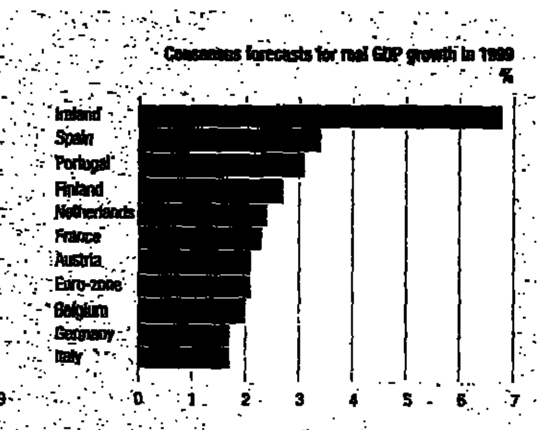
Trade tensions between the US and the euro-zone are already rising. Earlier this week Edwin Truman, the assistant secretary for international affairs at the US Treasury, attacked the euro-zone for its over-reliance on export-led growth which, he said, "imposes economic burdens on others". A boost to domestic demand, though, might go some way to blunting US criticism that the euro-zone is not playing its part in reviving the global economy.

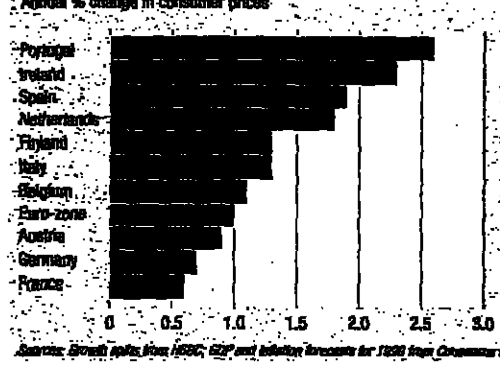
Of course, pure economic arguments were not the only thing on the ECB's mind. The markets paid so much attention to yesterday's meeting partly because of its timing, four weeks after the resignation of Oskar Lafontaine, the outspoken German finance minister who repeatedly called on the ECB to cut. Paradoxically, his resignation made the cut easier, especially now a decent interval has passed. "A cut before Lafontaine's departure would have been seen as an unwelcome politicisation of the monetary policy process," says Nick Parsons, chief currency strategist at Paribas. "Now it can be seen as an objective attempt to kick-start growth."

So today's rate cut came as no surprise. But the ECB must be praying the move improves prospects in the flagging core economies rapidly while not adding too much fuel to the inflationary flames in the periphery. It is a balancing act which may become wearily familiar in coming years.

Does one size fit all?







Export share to non-euro zone (% of GDP)

	To UK	To US	To Russia	Total
Austria	1.2	1.0	0.4	12.5
Belgium	6.0	3.3	0.8	24.9
Finland	3.4	2.4	2.5	24.3
France	2.1	1.4	0.2	10.3
Germany	2.1	2.1	0.5	14.1
Ireland	17.6	8.9	0.4	43.7
Italy	1.5	1.6	0.3	11.7
Netherlands	5.4	2.0	0.8	19.5
Portugal	2.9	1.1	0.1	8.8
Spain	1.6	0.8	0.2	8.1
Euro-zone	2.5	1.8	0.4	13.5

Sources: Growth splits from HSBC; GDP and inflation forecasts for 1999 from Consensus Economics; Export shares from the OECD

Growing further apart

The Bank of England found its quarter-point reduction in interest rates outbid by the European Central Bank within a matter of hours, writes Christopher Adams.

For the time being, then, the gap between rates in Britain and the rest of Europe has widened. This has reinforced the view that economic convergence with the euro-zone may be difficult to achieve. "There are quite a number of hurdles to get through. Individually, they might not be that great, but added up they become significant," Paul Turnbull, an economist at Merrill Lynch, said yesterday.

At present, the biggest barrier to entry is political: a majority of voters either oppose membership or are undecided on the issue, and the government will decide to join only if opinion shifts in favour. Another barrier is the UK business cycle, which does not move in synch with that of continental Europe.

This divergence could diminish if the Bank of England and European Central Bank succeed in capping inflation. But structural differences between the UK and the rest of Europe will probably remain. For example, the UK has stronger trade ties with the US than those between North America and continental Europe.

The current economic cycle may hold surprises too. Geoffrey Dicks of Greenwich NatWest says it is wrong to assume that interest rates in the UK, now 2.75 per cent higher than those in Europe, will fall to euro-zone levels. "If we are successful in avoiding recession and getting demand and output back on to a firmer trajectory, next year we would see monetary policy moving away from an expansionary bias back towards neutral."

The momentum from a healthy rebound in activity, given extra impetus by an activist Bank of England, might not be easy to stop. Interest rates might have hit a trough yesterday, making it more difficult for the Bank to bring the cost of borrowing down to euro-zone levels.

OBSERVER

It's talking turkey time

Slobodan Milosevic might not be everybody's kind of guy. He's certainly attracted an unusual interlocutor in Spyros Kyprianou, the former president of Cyprus, who flew into Belgrade last night.

But when it comes to pow-wowing about the three US soldiers Serbia captured last week, there weren't too many alternatives on hand.

Milosevic used to get in touch with Athens whenever he wanted a political favour. But Costas Simitis, the Greek prime minister, is firmly backing Nato, so the Yugoslav president turned to the Greek Cypriots instead.

The Nicosia government opposes the air strikes and public opinion is thoroughly pro-Serbian. Milosevic himself is well-connected on the island – during the Bosnian war, he managed to stash away a chunk of Yugoslavia's foreign exchange reserves in a Cypriot offshore bank.

However, Glafcos Clerides, the island's president, is spending his Easter holidays aboard a yacht. So Kyprianou – the speaker of parliament and Clerides' stand-in – fielded the calls from Belgrade.

Kyprianou has been trying his best to get the US soldiers flown out to Larnaca in Cyprus before they're shipped home – if they're shipped home. And he's already made more waves than he did with his last big triumph – when he spearheaded Cyprus' tourist boom and coaxed thousands of pale North Europeans to sample its beaches and barbecues.

Squeaky clean

Antônio Carlos Magalhães, perhaps Brazil's second most powerful politician, might just be rueing a thing or two.

On his request, the Senate launched a probe yesterday into corruption and nepotism among the judiciary. In political terms it could be a great idea. Everyone likes to have a go at judges in Brazil and what better way to start a bandwagon for a shot at the presidency in 2002?

But on the very same day, the Folha de S. Paulo, Brazil's biggest selling daily, pointed out that 11 of Magalhães' relatives, including all five of his brothers, are employed by the government in his home state of Bahia.

"I didn't hire them personally," he protested yesterday, neglecting to mention that most of the politicians who did take on his family members are close political allies. Would he sue the newspaper? No, he replied, because you can't trust the justice system.

Poon's progress

For a man barely into his 40s, Dickson Poon has done a lot of living. He's notched up three glamorous wives, including Bond girl Michelle Yeoh, and runs one of the few Hong Kong companies with worldwide success – luxury retailer Dickson Concepts.

Now the boy who started off with a HK$5m loan in 1979 is going to buy some of his company's ritziest properties for himself.

At a time when designer labels are slugging it out on the business pages, Poon's buying back Dickson Concepts' majority stakes in Harvey Nichols, the upmarket London emporium, and ST Dupont, the French company that turns out fancy pens and lighters.

He could need to raise some cash. But even in Hong Kong – where retail is a four-letter word in the banking halls – the dapper Poon is unlikely to be turned away.

Baby bug

You may have been preparing for the millennium bug, but are you ready for its April 9 cousin?

Taiwanese officials have warned that some systems could choke today, the ninety-ninth day of the year, which can be recorded as 9999 – a troublesome sequence associated with computer errors.

The April 9 bug isn't expected to cause anything like the computer chaos some fear could emerge on January 1 next year, but it could be a wake-up call.

The computer illuminati might know all about the nasties in store, but most other people on the island haven't a clue about Y2K. Plenty think it's a brand of cosmetics. Let's hope their systems are sitting pretty.

Gene crazy

A new victory over all those sexists who think that vacuuming and preparing dinner should be a purely feminine phenomenon.

Scientists have identified two genes for nesting behaviour that come not from ma but pa. When either gene isn't there, mother mice decline to build nests or give their kids any attention.

The appearance of gene number two seems to mean that the paternal connection's no fluke. No word yet on whether it's mother who's really responsible for beer-drinking or football-watching DNA.

Vodka straight

Lay down your glasses. A sensational new vodka from Sweden, launched yesterday by the country's first privately owned spirits company for 80 years, is about to offer you a whole new alcoholic hinterland.

The company says Svensk vodka "is based on the elements of nature and the enigmatic surrounding of Lake Vättern". It doesn't elaborate whether, after you've had a few drinks, the lake is still enigmatic or simply baffling.

The Financial Times

50 years ago

U.S. Farm Plans

The United States Administration is proposing to Congress a new and ambitious agricultural programme, which would guarantee permanently high prices to farmers. It would abandon the parity price concept, designed to give the farmer purchasing power equivalent in real terms to that of 1909-14.

The new objective would be to maintain farm income at or near the average level of the past decade and at the same time extend price support to a much wider range of commodities.

The proposals will set up some strong cross-currents in Congress.

Statute for Germany

Washington, April 8.
The Foreign Ministers of Britain, the United States and France to-day announced approval of an occupation status for Germany, defining the powers of the occupation authorities upon the establishment of the German Federal Republic.

It was stated that, with the establishment of the Federal Government, military occupation will be terminated and the functions of the Allied authority will become mainly supervisory.

FINANCIAL TIMES

FRIDAY APRIL 9 1999

THE LEX COLUMN

Lafontaine's dividend

Call it the Lafontaine dividend. The European Central Bank's half point cut in interest rates would ideally have come earlier given the weakness in the euro-zone's economy. But the independent authority did not want to be seen to cave in to pressure from Oskar Lafontaine, Germany's former finance minister. Following Mr Lafontaine's resignation last month, the ECB has been able to make up for lost time.

*The cut is probably good news for euro-*zone asset prices; and even for the euro itself, in that investors may conclude the worst is over for the economy. But it would be a mistake to expect monetary policy to work wonders. Take Italy, one of Europe's most sluggish economies. Interest rates there tumbled in the run-up to the single currency with little effect on growth, so it is hard to believe the latest cut will do much. Germany, the other big *slow coach, could be a better bet as it did* not benefit from convergence. But while there is a cyclical element in the region's depressed condition, structural reasons probably dominate. And the solution to those is microeconomic reform not monetary policy.

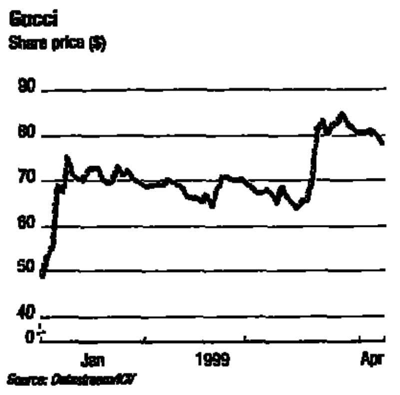
The UK's decision to cut its interest rates by a quarter point to 5¼ per cent is less dramatic; not surprising since this is the sixth cut in seven months. But it will *not be lost on* investors *that UK rates* are once again more than twice those in the euro-zone. Even taking into account the UK's marginally higher inflation, monetary policy is clearly considerably looser in the euro-zone. Some disparity is warranted. But the current gap looks too big.

China

It has taken 13 long years, but China's entry into the World Trade Organisation – now tantalisingly within reach – is a prize worth waiting for. The biggest corporate winners are likely to be from developed markets – particularly in farming, financial services and telecommunications. Agricultural exporters will benefit from lower tariffs. China has promised to open its *insurance* and *banking markets*, and it will, for the first time, let foreign groups take stakes of up to 30 per cent in Chinese telecoms operators.

WTO accession will also bind China into a rule-based trading system that should bring more transparent regulation and greater observance of commercial law. That will help both importers and *those multinationals already operating* locally. It ought also to reduce music and software piracy, though this hinges *largely on proper enforcement.*

The deal should benefit China too. Granted, some indigenous companies will suffer from greater competition. But higher international confidence should boost foreign direct investment, which fell nearly 50 per cent in January and February. And a reduction in China's rapidly *rising trade surplus with the US* – $57bn last year – would be no bad thing politically. Most important, joining the WTO and opening up its markets will increase pressure on China to accelerate the internal restructuring it so badly needs.



Gucci

Gucci shareholders must be wondering whether they only dreamt there was an $85 a *share* offer on *the table for the* Italian fashion house. The sands were already shifting when LVMH said its offer would be conditional on 50 per cent acceptances. With Pinault-Printemps-Redoute, white knight to the Gucci management but not to minority shareholders, sitting on 42 per cent, this is a high hurdle. *LVMH*, which has about 20 per cent of the equity, would have to win over holders of three quarters of the non-PPR shares it does not already own. Bernard Arnault would have kept a dainty toe on the moral high ground, as well as maximum pressure on the *Gucci board, if his company* had stuck to this offer.

But the sands shifted again. Still smarting over the outrageous way PPR leapfrogged into poll position, using lax Dutch rules on share issuance, Mr Arnault tried to lower the hurdle to a simple majority of the independent shareholders. This would level the playing field. But it would also entail making free with new shares to the disadvantage of some independent share-*holders. Hence the excuse given to the* anti-Arnault board to say no.

LVMH may still go with its offer, as a gesture of good faith. But with the odds stacked against success, its main line of attack will be back in court later this month.

Dickson Concepts

Talk about adding insult to injury. Dickson Concepts, the Hong Kong-based luxury retailer controlled by its founder, seems determined to enrage its minority *investors. Having* seen the shares tumble by 80 per cent in the last 18 months, Dickson has come up with a bizarre restructuring plan: it proposes to sell its most valuable assets to Dickson Poon, its chairman and majority shareholder.

It is hard to see how this adds value for anyone except Mr Poon. He is offering to pay *market* value *for Dickson's listed* majority stakes in Harvey Nichols, the upmarket UK retailer, and ST Dupont, a French luxury goods maker. Minority Dickson shareholders are thus being asked to sell controlling stakes accounting for half the group's market value for cash with no premium.

Under Mr Poon's scheme, Dickson would then disgorge the proceeds via a *special* dividend of HK$6.80 a share. True, *that is more than Dickson's pre-announce-*ment share price of HK$6.20. But that only shows how little value investors place on Dickson's rag bag of loss-making Asian assets.

In a final step, Mr Poon would buy 20 per cent of Dickson's rump equity at HK$2 a share. That would be 60 per cent below *the post-dividend net asset value* and barely more than net cash of HK$1.59 a share. Shareholders should reject the plan. If Dickson is to be broken up, Mr Poon should be forced to compete to buy the pieces.

China to ease restrictions on some US food exports

Agreement marks premier Zhu Rongji's arrival in Washington

By Nancy Dunne and Steve Fidler in Washington

An agreement lifting restrictions on exports of US wheat, citrus, beef and poultry to China was due to be signed in Washington yesterday as Zhu Rongji, the Chinese premier, met President Bill Clinton at the *White House.*

As Mr Zhu arrived, trade officials were racing to complete a bilateral *market access deal to pave the way* for China's entry into the World Trade Organisation. However, US officials suggested that, in spite of significant progress in the negotiations, an agreement on Chinese WTO entry looked beyond immediate reach.

As well as the agricultural accords, Charlene Barshefsky, the US trade representative, said Beijing had taken "an important new action" to protect US software exports. The Chinese government had issued a decree calling on all commissions, agencies, republics and municipalities to implement in a "*serious and thorough*" manner a directive forbidding government use of illegally duplicated software. China's market for personal computers is now the world's fifth largest.

The two sides also agreed a civil aviation accord, expected to double passenger and cargo flights between the US and China and allow an additional US airline and another Chinese airline to enter the bilateral market. China has announced the break-up of China Telecom, but negotiators were disputing the level of foreign ownership to be permitted.

As usual during important official visits, an aircraft purchase was announced. A few hours before Mr Zhu's arrival in Washington, the US Export-Import Bank announced that Boeing had reached an agreement with Zhongyuan Airlines, based in *Henan province, for the purchase of* two 737-300s worth $64m.

In a ceremony greeting Mr Zhu at the White House, the two leaders spoke of the need for continued friendly relations. Mr Clinton said China and the US could best achieve their hopes "if we continue to build a constructive strategic partnership". Mr Zhu responded: "I don't think there is any problem or question between our two countries that cannot be resolved through friendly consultations."

The previous day, Mr Clinton outlined his reasons for continuing a dialogue with China in the face of sharp criticism in Washington of Beijing's alleged spying, a clampdown on human rights activists and its *build-up of ballistic missiles* across the Taiwan Strait.

Trent Lott, the Senate Republican leader, said he would oppose China's entry into the WTO because of its spying and human rights abuses. "Letting China into the WTO at this time shows how far this administration is willing to go in an effort to salvage its failed policy of strategic partnership with China," he said.

See Lex

US may say 'Hello Dolly' to company behind cloned sheep

By James Buxton in Edinburgh

The US is hoping to say "Hello Dolly" to a biotechnology plant built by the Scottish company that cloned the world's most famous sheep.

PPL Therapeutics, the Edinburgh-based biotechnology company, expects shortly to receive formal offers of assistance to finance a £45m ($72.45m) manufacturing plant in the state of Virginia.

The plant would initially process PPL's most advanced product, alpha-1-antitrypsin or AAT, a human protein that could be used to treat cystic fibrosis. The protein is produced by a flock of genetically modified sheep being reared by PPL in New Zealand. The plant could later manu-*facture other products.*

Although regulatory approval from the US Food and Drugs Administration to manufacture AAT is not expected until the end of 2001, PPL wants to be able to start production soon afterwards. That means starting to build the plant in the *next few months.*

PPL has received indicative offers from the Virginia state authorities about two locations in two different counties.

One involves official financial assistance and the other is an officially co-ordinated package of private finance. Richard Crews, PPL's finance director, is now in Virginia obtaining final details of the packages.

The US offers will put extra pres-*sure on UK development agencies* and merchant banks to assemble a package of finance and development assistance to prevent the project going to the US. The UK's matching proposals appear to be less advanced than those of Virginia.

Ron James, PPL's managing direc-*tor, says it would be more conve-*nient to build the new plant, which would employ about 150 people, near the company's facility at Roslin near Edinburgh since this would make the technology transfer simpler.

But he wants to be able to decide shortly where the plant is going to *be so that the company can advance* to the next stage of seeking regulatory approval.

In Scotland, PPL is negotiating with Lothian and Edinburgh Scot-*tish Enterprise, an offshoot of Scot-*tish Enterprise, the development agency, while British Linen Bank is attempting to raise private finance. But Mr James said it was already clear that UK bank funding would not be available without some form of official guarantee because the project lacked *regulatory approval* and was therefore considered too risky.

This was less of a problem in the US where there was greater experience of financing biotech projects.

"We're not asking for a £45m grant but the guarantee of the £45m proj-*ect finance,*" Mr James *said.* Grants for the infrastructure required and other development assistance were likely to be available in the UK and would help fill the gap.

The project does not mean Dolly, whose existence became worldwide news in early 1997, would move to the US.

CONTENTS

Past masters: Former winners Byron Nelson, Gene Sarazen and Sam Snead (left to right) prepare to tee off at the ceremonial start of the 1999 US Masters golf tournament in Augusta, Georgia. Picture: Reuters

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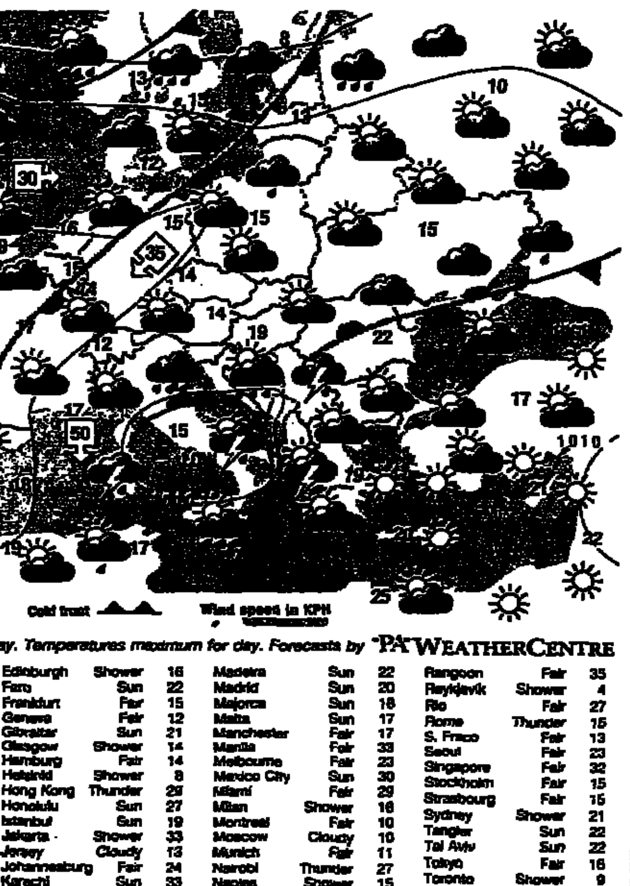
FT WEATHER GUIDE

Europe today

North-west Europe will cloud over for a time but stay mainly dry. Scandinavia will have heavy rain, with snow in the far north. Sheltered areas will become bright and warm for a while, especially in southern Sweden. Rain will spread *into the Baltic states, but much of* eastern and central Europe will stay dry with some sunshine. The *Iberian peninsula*, Turkey and the Levant will have a lot of sunshine. The central Mediterranean will have thundery rain, which *will* move eastwards towards Greece.

Five-day forecast

Much of Italy and the Balkans will have showers, some accompanied by thunder. High pressure will extend from Portugal to central Europe and will bring sun until Monday. Cloud will increase to bring showers in the middle of the week. Northern Europe will be wet with snow on higher ground.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

	Maximum	Celsius
Abu Dhabi	Sun	26
Accra	Fair	31
Algiers	Fair	19
Amsterdam	*Fair*	*16*
Athens	Sun	19
Atlanta	Fair	29
B. Aires	Fair	20
B.ham	Fair	19

Bangkok	Thunder	34
Barcelona	Sun	18
Beijing	Fair	23
Belfast	Drzzl	14
Belgrade	Thunder	20
Berlin	Fair	15
Bermuda	Shower	24
Bogota	Thunder	19
Bombay	Sun	32
Brussels	Fair	15
Budapest	Fair	19

C.hagen	Shower	12
Cairo	Sun	25
Caracas	Shower	29
Cardiff	Cloudy	15
Casablanca	Sun	23
Chicago	Rain	12
Cologne	Fair	17
Dakar	Sun	28
Dallas	Shower	26
Delhi	Sun	37
Dubai	Sun	29
Dublin	Shower	15
Dubrovnik	Shower	13

Edinburgh	Shower	16
Faro	Sun	22
Frankfurt	Fair	15
Geneva	Fair	12
Gibraltar	Sun	21
Glasgow	Shower	14
Hamburg	Fair	14
Helsinki	Shower	8
Hong Kong	*Thunder*	*29*
Honolulu	Sun	27
Istanbul	Sun	19
Jakarta	Shower	33
Jersey	*Cloudy*	*13*
Johannesburg	Fair	24
Karachi	Sun	33
Kuwait	Sun	29
L. Angeles	*Fair*	*18*
Las Palmas	Fair	23
Lima	Sun	27
Lisbon	Sun	25
London	*Fair*	*15*
Lux.bourg	Fair	14
Lyon	Fair	14

Madeira	Sun	22
Madrid	Sun	20
Majorca	Sun	18
Malta	Sun	17
Manchester	Fair	17
Manila	Fair	33
Melbourne	Fair	23
Mexico City	Sun	30
Miami	Fair	29
Milan	Shower	16
Montreal	Fair	10
Moscow	Cloudy	10
Munich	*Fair*	11
Nairobi	Thunder	27
Naples	*Shower*	15
Nassau	Fair	29
New York	*Thunder*	*13*
Nice	Fair	17
Nicosia	Sun	21
Oslo	*Shower*	13
Paris	Fair	17
Perth	Shower	28
Prague	Fair	14

Rangoon	Fair	35
Reykjavik	Shower	4
Rio	Fair	27
Rome	*Thunder*	*15*
S. Frsco	Fair	13
Seoul	Fair	23
Singapore	Fair	32
Stockholm	Fair	15
Strasbourg	Fair	15
Sydney	Shower	21
Tangier	Sun	22
Tel Aviv	*Sun*	22
Tokyo	Fair	16
Toronto	Shower	9
Vancouver	Fair	10
Venice	*Shower*	*15*
Vienna	Fair	14
Warsaw	Fair	15
Washington	Shower	20
Wellington	Shower	16
Winnipeg	Sun	12
Zurich	Fair	12

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

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Framatome of France is shifting its centre of gravity away from nuclear business to connectors, from which it expects to make €230m ($248m) operating profit this year. Page 19

TD Bank shoots to top of 'big five'
Toronto-Dominion Bank has become the largest of Canada's "big five" banks, after its stock hit a record high, following news of plans to spin off its global discount brokerage. Page 17

Moroccan banks see fall in profits
After four years of profit surges, Morocco's quoted commercial banks posted modest gains in 1998, with the average net profit increase for five large banks about 8.8 per cent, versus net profit rises of 15 per cent in 1997. Page 16

Shipping groups rush to consolidate
Three deals in the past month in the Nordic shipping community have highlighted the merger frenzy that has characterised the sector over the past two years. Page 19

Power concerns fuel Pakistan drop

The Pakistani KSE-100 index ended 13.51 lower at 1,034.99, yesterday, the latest sign of anxiety over the economy. Concerns have been triggered by the controversy surrounding the private power generation groups. The government of prime minister Nawaz Sharif (left) has spent much of its two years in office investigating corruption in the sector. Page 40

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Renong, Malaysia's biggest corporate debtor, is facing a loss of prestige and claims that authorities accord the former investment vehicle of the Umno political party special treatment. Page 18

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Turkey is to reform its capital markets after general elections on April 18. The legislation should help protect small investors. Page 28

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Södra of Sweden, the largest producer of long-fibre market pulp, is to raise the price of its benchmark pulp. Page 30

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Gucci rejects LVMH's $8.7bn offer

Fashion house says takeover terms are 'unacceptable'

By Alice Rawsthorn

Gucci, the Italian fashion company, yesterday rejected an offer of $85 a share from LVMH, the French luxury goods group.

It did so on the grounds that it considered the conditions attached to the offer to be unacceptable.

"Our door is very open to LVMH if they make a serious offer," said Domenico De Sole, Gucci's president.

"But we made that clear three weeks ago. I don't think this is an offer – it's a waste of time."

LVMH said its offer, which values Gucci, including its $3bn-plus cash, at $8.7bn, was fair.

The French group had rebuffed Gucci's efforts to persuade it to mount a full bid until Pinault-Printemps-Redoute (PPR), the French retail group, last month unveiled a secret $2.9bn deal to acquire 42 per cent of Gucci.

The $85 offer is conditional on the Gucci board agreeing to issue enough new shares for LVMH to attain control if it secures acceptances representing at least 50 per cent of Gucci's shares held by independent investors – who hold roughly 38 per cent of its equity.

LVMH also made an additional offer of $91 a share, providing the PPR deal was nullified, which Gucci's management has refused to do.

Gucci's shares fell by €1.35, or 1.9 per cent, to €71.75 in Amsterdam yesterday. LVMH's rose by €4.40, or 1.9 per cent, to €232 in Paris.

LVMH, which was advised by Goldman Sachs when the battle with Gucci began but has since added Credit Suisse First Boston and ABN Amro as co-advisers, is expected to await the outcome of a Dutch court hearing this month before making its next move.

The hearing, due to start on April 22, will deliver the final ruling in a case LVMH brought in February after Gucci, advised by Morgan Stanley, issued 20m new shares to its employees to neutralise LVMH's voting position.

LVMH has also taken legal action to try to invalidate the PPR deal.

If the Dutch court rules in LVMH's favour, it could initiate an investigation into the share issues that might last as long as six months.

LVMH might then try to win control of Gucci without the impediment of PPR's 42 per cent stake, or hope that the latter will make a full bid, thereby enabling it to exit at a profit.

Gucci claims to be confident that the Dutch court will uphold both the PPR and employee issues. If so, it is likely to press ahead with the completion of the Pinault deal by calling a shareholder meeting to endorse the appointment of PPR nominees.

It would also start due diligence on the FFr6bn ($990m) acquisition of Yves Saint Laurent, the French fashion house, and other beauty brands bought by François Pinault, PPR's founder, for the same sum last month.

Gucci envisages the acquisition as a base from which to build a conglomerate of luxury brands to rival LVMH.

Lex, Page 14

Soros earmarks $1bn for European equities

By Richard Rivlin

George Soros, the international financier, has earmarked more than $1bn to launch a European private equity arm that will seek investments in a range of businesses.

Soros Private Equity Partners, the venture capital arm of Soros Fund Management, has appointed Ramez Sousou from Goldman Sachs to head its European operations.

Offices have been opened in London's West End, and the group plans to build a team of eight investment professionals by the end of this year.

The group will become the latest US-based house to earmark resources for the European market.

KKR, Hicks Muse and the Carlyle Group have all opened offices in London in recent months to take advantage of what they see as undervalued businesses in Europe.

Soros Private Equity Partners invests in companies through two funds. There is the $3.5bn Quantum Industrial Holdings Fund and a $600m Quantum Realty fund, which concentrates on property.

The European arm will have access to both funds as opposed to raising a Europe-specific investment pool. The figure of $1bn allocated for Europe could rise depending on its deal flow.

Until now, Soros Private Equity Partners has dedicated most of its investment to North American businesses. It has used its international private equity team, headed by Frank Sica in New York, to back some European deals but this is its first concerted effort to break into the European buy-out arena.

Ramez Sousou, a global partner and head of its European operations, said: "There may be a lot of competition in the private equity arena but we think we have a unique approach and can offer added value through the Soros network. We will build a private equity business in Europe which will also invest alongside other private equity houses."

One rival venture capitalist said: "The West End is becoming incredibly crowded with American private equity groups chasing a finite number of deals. No one should underestimate Soros but there are lots of highly capable houses chasing European deals. One wonders if supply of deals might soon outweigh the demand available."

It has been reported that Soros Private Equity Partners would consider partnering Candover, the UK venture capitalist, in its bid to get control of the Mirror Group, the UK newspaper group.

Higher medical costs drive down Humana shares

By John Authers in New York

Shares in Humana, one of the larger US health management organisations, fell more than 30 per cent yesterday morning after it announced a drastic increase in medical costs.

Humana predicted operating earnings for the first quarter would be between 20 and 24 cents a share compared with analysts' estimates of 34 cents. It will add $90m to its medical claims expenses for the first quarter. Its first quarter earnings last year were $50m.

The news hit shares in several other of the largest companies in the sector, which has been suffered repeatedly from problems over medical costs in the last two years.

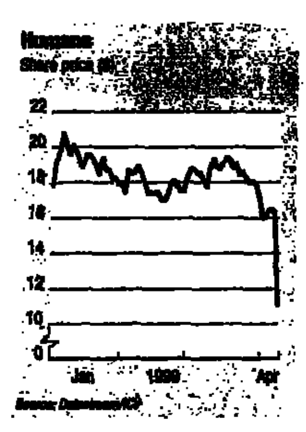
A dispute with Columbia/HCA, another healthcare company, over whether Humana customers should have access to Columbia hospitals, accounted for the bulk of the charge. The companies spent months renegotiating the contract after allegations that Humana patients had been turned away.

Columbia/HCA dominates the market for hospitals in Florida, and exclusion from its hospitals might have severely damaged Humana's competitiveness in the state, where it has more than 1.3m customers. A deal was struck only last week, and came into immediate effect.

Gregory Wolf, Humana chief executive, said the new contract reflected "the changed dynamics of our industry and the end of an era between Humana and Columbia".

He added: "Notwithstanding the hard decisions we made this quarter, our business is fundamentally sound and we remain confident in our ability to successfully meet the challenges our industry will face."

Humana said $50m of the extra $90m in medical expenses was to account for the new Columbia contract,



while a further $5m will be paid to resolve outstanding issues from the old contract.

A further $35m covered an increase in reserves for covering medical costs. Analysts interpreted this as evidence that Humana was not limiting the utilisation of healthcare as much as it had hoped.

Health management organisations, or HMOs, seek to limit the amount of healthcare customers use, and this part of the charge helped to damage shares in other large companies in the sector.

By mid-session, Humana had fallen 32 per cent, down 5\frac{1}{16}$ at 11\frac{1}{16}$. Its share price had reached as high as $32 last July.

United HealthCare, which abandoned its plan to merge with Humana last year after it announced a $900m charge, fell 9 per cent, down 4\frac{7}{16}$ at $46¾, while Oxford Health fell almost 7 per cent, down 1\frac{1}{16}$ at $14¼.

Joseph Marinucci, a healthcare analyst at AM Best, said: "The overriding issue here is that analysts are questioning the ability of HMOs to effectively control utilisation – and that's really what the industry has developed around. It's been HMOs' goal to improve upon utilisation, and it's a great challenge."

C&W could raise bid for Japan telecoms carrier

Battle for IDC may prompt UK group to rethink its $515m bid

By Michiyo Nakamoto in Tokyo and Jonathan Ford in London

Cable and Wireless, the UK telecoms group, could raise its offer for IDC if the directors of the Japanese international telecoms carrier do not recommend its bid at a board meeting on Thursday.

C&W, which is already a large shareholder in IDC with a 17.7 per cent stake, is locked in a takeover battle for IDC with NTT, Japan's telecoms giant.

If the IDC board recommends the NTT offer, which is understood to value the company at Y63bn ($520m), or does not reach a decision, "the subject of price could be back on the table", according to people close to the deal. C&W's offer values IDC at Y62.4bn.

Both companies have made offers to IDC management, which is expected to make a recommendation to shareholders, which include Toyota, the car manufacturer, Itochu, the trading company, and AirTouch, the US telecoms company.

However, the competing offers are too close in terms of price to suggest an outright winner in the bid.

In the event that the IDC board recommends the NTT offer, C&W, as a founding shareholder of IDC, has a right to buy the shares at the price indicated by NTT. Junichiro Miyazu, president of NTT, has suggested that the Japanese carrier would not raise its offer in a bidding war with C&W.

However, C&W is confident that it will not have to increase its offer to NTT's level due to Japanese government regulations that restrict NTT's activities. As the former public utility whose activities were restricted to domestic telecoms services, NTT is prohibited from directly being involved in international services until July 1. Even if the IDC board recommends the NTT bid, NTT would not be able to proceed with its tender offer without special permission from the Japanese government.


Hotting up: The stakes are rising in Japan's telecoms sector Reuters

NTT is required to purchase 100 per cent of IDC due to regulations governing its reorganisation in July. C&W insists that it has no intention of selling its stake to NTT. "There are no conceivable circumstances in which we would voluntarily sell our stake in IDC," the company said.

If the IDC board recommends the C&W offer, C&W plans to start the tender process within one to two weeks of the April 15 board meeting and pay for the shares in cash. In Japan, a board recommendation on a takeover is almost always accepted by the main shareholders.

NTT could use its influence with the telecoms authorities and with Japan's ruling party, with which it has strong links. Peter Eustace, of C&W, said that if this were the case, "we would make a big fuss".

BCI stake sale heightens battle between German banks

By Paul Betts in Milan and Uta Harnischfeger in Frankfurt

A battle between top German banks for influence in Italy's rapidly-consolidating banking sector appeared to intensify yesterday after the sale of a significant shareholding in Banca Commerciale Italiana.

BCI confirmed yesterday that Tiger Fund of the US had sold a 3.03 per cent stake on March 31 for about €670m ($716m).

Another US fund, Janus Capital, was also reported to have sold 1.9 per cent of BCI, but this has not been confirmed.

News of the sales prompted speculation that Commerzbank, Germany's fourth largest, may have increased its existing 5 per cent stake in BCI. Deutsche Bank, another key BCI shareholder, was also seen as a potential buyer.

Both German banks declined to comment on their holdings, but Commerzbank said: "We are very interested in BCI, and we consider it our bank in many aspects." Commerzbank already has a member on BCI's supervisory board.

The share sales followed the recent proposal by UniCredito Italiano, a larger Milan bank, to merge with BCI through a share exchange.

Deutsche Bank, with 4.5 per cent, is among several large BCI shareholders, including Paribas of France (4 per cent), which favour the merger. It would create an enlarged banking group with total assets of more than L500,000bn ($276bn).

But another influential group including Commerzbank (5 per cent before any recent purchases) appears to have doubts over the UniCredito merger. Commerzbank is concerned by Deutsche's position as a shareholder in both BCI and UniCredito.

A long-standing core shareholder in BCI, Commerzbank was livid when Deutsche disclosed last year it had accumulated a 4.5 per cent stake.

"Increasing its stake to 10 per cent would allow Commerzbank to flex its muscles versus Deutsche Bank," a Frankfurt-based analyst said.

Two weeks ago, Commerzbank announced plans to raise more than €2.4bn to prepare for European acquisitions. German banks' activities are mostly concentrated on the northern Italian retail market, but Deutsche and Commerzbank have also been active in fund management. Deutsche has repeatedly stated its interest in further acquisitions in the Italian banking market.

The main opponent of the BCI-UniCredito merger is the top management of Mediobanca, the Milan investment bank. Both BCI and UniCredito have each traditionally owned 8.8 per cent stakes in Mediobanca but the secretive investment bank has in the past pulled the strings in the two commercial banks.

Mediobanca also owns 11 per cent of Assicurazioni Generali, Italy's largest insurer, with a 5 per cent stake in both BCI and Commerzbank. The German bank has also pledged to buy a 2.5 per cent stake in Generali.

Mediobanca has sought unsuccessfully for the past 12 months to push BCI into a merger with Banca di Roma. Its top management now appears to regard the proposed merger between BCI and UniCredito as a threat to its own independence and influence.

CARMAKING GERMAN GROUP THOUGHT TO BE EYEING ACQUISITION AFTER SEEKING SHAREHOLDER APPROVAL

VW in move to raise fresh capital

By Uta Harnischfeger in Frankfurt

Volkswagen yesterday appeared to be eyeing an acquisition after it emerged that it would ask its shareholders for approval to increase its authorised capital by 40 per cent.

Any approval would give Europe's largest carmaker *carte blanche* to raise around DM18bn (€9.2bn, $9.9bn) in fresh funds. Although Volkswagen declined to comment on its intentions, saying only it wanted to assure the group's growth in coming years, industry observers suggested that it may use the money to pay for an acquisition in the truck sector. Speculation has recently focused on Scania, the Swedish automotive group.

In an invitation to its shareholders to meet on June 2, Volkswagen said it would ask shareholders to approve an additional DM782m in authorised capital, allowing Volkswagen to raise roughly €9bn (DM18bn) between now and June 1, 2004. Of that, Volkswagen could raise around DM2.2bn in a direct placement, while the rest would be come in form of a rights issue. "In the next few years it may become necessary to secure the growth of the Volkswagen group with adequate capital, for example for acquisitions or the purchase of stakes," Volkswagen said in its invitation, reported in the German business media.

In addition, Volkswagen is expected to ask its shareholders for approval to buy back up to DM195m of its own shares and issue DM1.5bn worth of options and convertible bonds.

The timing of Volkswagen's request to shareholders puzzled analysts yesterday because the company's shares have been at low levels since a recent profit warning and a troubled capital increase in 1997.

At the time, Volkswagen angered shareholders by announcing a DM6bn capital increase without telling them what it needed the funds for. In March 1998, it abandoned half of the share offering.

The company has said it would wait for the next downturn in the truck industry before stalking existing truckmakers. Investor, the majority shareholder in Scania, was believed to have asked for as much as SKr340 (US$41) per Scania share - a bid that translates into a roughly DM18bn price tag for the whole of Scania.

However Investor yesterday would only say that "nothing had changed" since it broke off talks with Volvo, the Swedish automotive group that recently sold its car division to Ford of the US.

Additional reporting by Nicholas George in Stockholm

Moroccan banks bend to the winds of change

Liberalisation of the economy is encouraging the sector to seek new sources of income, writes **Roula Khalaf**

The easy times are drawing to an end in Casablanca. After four years of surging profits, Morocco's quoted commercial banks posted only modest gains in 1998.

According to Casablanca Finance Group, a local securities firm, the average net profit increase for five large banks was about 8.8 per cent, excluding extraordinary capital gains. This compares with net profit rises of 15 per cent in 1997 and 22 per cent in 1996.

The more moderate growth reflects changes in Morocco's banking sector in recent years. Less than two years ago, the industry was dominated by a cartel of sorts, with the leading banks largely agreeing on changes in interest rates.

Last year, however, two affiliates of foreign banks broke the trend, in a move that is rapidly turning the industry into a competitive market and one of the more vibrant in the Middle East and North Africa region.

Since 1993, Morocco's banking sector has benefited from liberalisation of the economy, which lifted strict loan pricing and freed banks from excessive reserve requirements. At the same time, the government promoted development of a stock exchange and fed it through privatisation of state entities, providing the banks with a new line of business.

While the Moroccan economy remains at the mercy of rainfall - agriculture accounts for 40 per cent of employment - drought has had a limited effect on the banking sector.

Most banks have little exposure to the agricultural and real estate sectors and compensate for the slowdown in growth through financing increased food imports. The banks' profitability has further been boosted by cheap deposits. According to a research report by Nomura, as much as 49 per cent of the customer deposit base has traditionally received little or no interest.

Analysts say even companies keep their savings in current accounts, because savings accounts are not sufficiently flexible.

But as Morocco begins to implement its association agreement with the European Union, bringing it into a free trade zone by 2012, banking is becoming more challenging.

While the banks are being urged by the business community to play a greater role in intermediation and take on risk for smaller companies, the government is being urged to pursue further reform.

Exchange controls to prevent capital flight remain in place and several banks have yet to be privatised. They include Crédit Populaire du Maroc, set up in 15 co-operatives and controlling about 30 per cent of the country's deposits.

Bankers, like industrialists, are also asking for more flexibility in dealing with staff. Younes Hani, banking sector analyst at Casablanca Finance Group, says gains in productivity are becoming difficult to realise without a change in labour laws. This, he says, is one reason for banks' reduced profitability.

There is also a need to regulate the consumer finance market, which has seen rapid growth but has aroused suspicions of abuse by borrowers.

With analysts predicting that margins will be further squeezed this year, Morocco's banks are looking to generate new sources of revenue, says Anas Alami, analyst at Upline Securities.

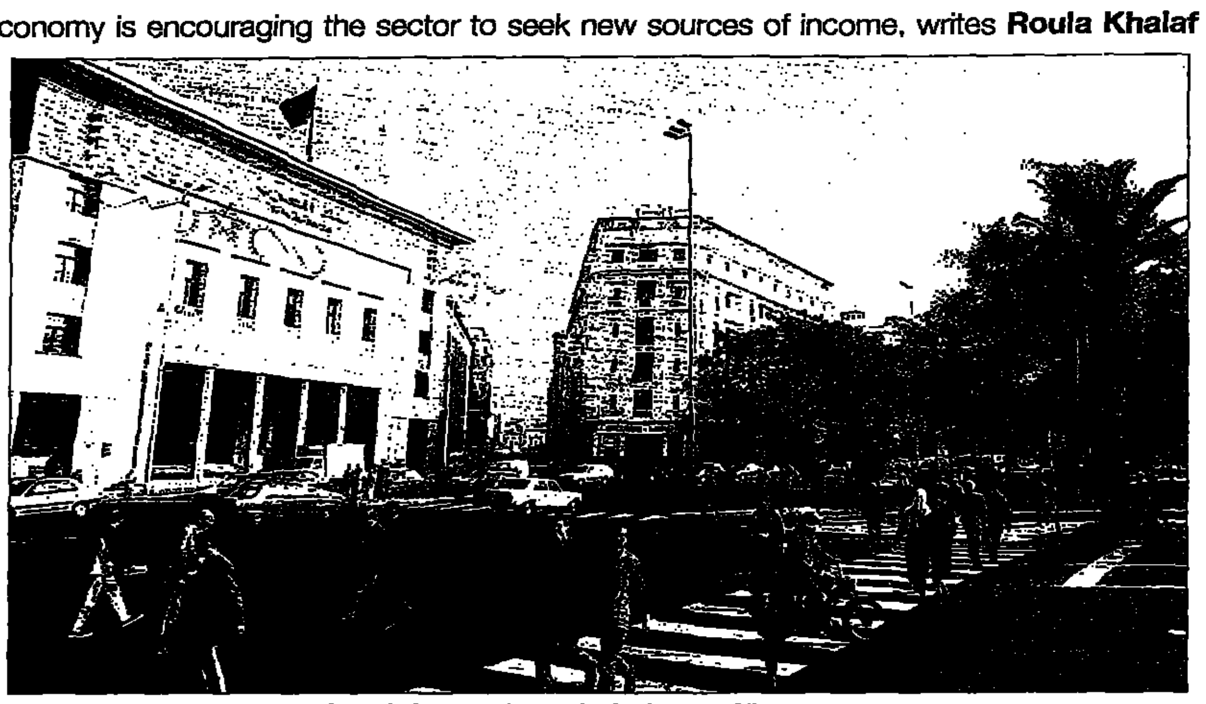
Wafa Bank is usually cited as the best example of successful diversification. The bank has only about 12 per cent of total deposits in Morocco but boasts a 35 per cent market share of the mutual fund business, which has seen explosive growth in recent years, as well as a 20 per cent share of the consumer finance market. Emphasis has also been laid on investment banking and brokerage. The bank, controlled by the Kettani family but quoted on the Casablanca bourse, is planning to raise non-interest income to 50 per cent of total revenues by 2002.

Other banks, such as Banque Marocaine pour le Commerce Extérieur, the third largest bank privatised in 1995, are now trying to catch up and investing huge resources to expand investment banking activities.

Perhaps the biggest challenge for the banks, however, is to move away from a small number of blue chip clients – state-owned or family-owned – and contribute more efficiently to development of the Moroccan economy. This requires better risk management and an upgrade in staff.

"What they will have to do is finance smaller, more risky companies," says Mr Alami. "This means the personnel they hire will become more important and they will have to start better analysing companies. The banks still say today that small companies are too risky and cannot be touched."

As one industrialist puts it: "Our banks are getting more competitive but they are still banks for the rich."



At the crossroads: the challenge for the banks is to contribute to the development of the economy

Saga to sell assets to boost profits

By Valeria Sköld in Oslo

Saga Petroleum, Norway's third largest oil company, has announced plans to sell up to NKr2bn ($258.1m) in assets and cut staff, costs and business units to bolster profits and its appeal to potential alliance partners.

The cuts fill in the missing details from Saga Petroleum's earlier warning in February, when it vowed to radically restructure the company following a worse-than-expected net loss of NKr1.26bn last year amid low oil prices and huge write-downs.

Diderik Schnitler, Saga Petroleum chief executive, said the measures would help the company return to profit this year and allow it to grow, even under a $10 per barrel oil price scenario, thus increasing its appeal as a partner. The company has held alliance talks with several interested companies, but has not received any takeover bids, he said.

Saga has been the subject of merger speculation after Statoil, the Norwegian state-owned oil company, purchased a 20 per cent share holding in the company last year and amid an increasing number of mergers among oil companies.

"There is a takeover premium on Saga. The company has more than 1bn barrels in oil reserves and (its shares) are worth more than NKr100", said Bjorn Jacobsen, an analyst at Fearnley Fonds in Oslo.

As part of the measures outlined, Saga plans to sell up to NKr2bn in non-strategic assets, including the pending NKr500m sale of the Visund oil field offshore Norway to Gaz de France which is now under consideration by the Norwegian authorities. Saga will realise the remaining NKr1.5bn through the disposal of its various interests in more than 100 oil and gas licenses globally.

In addition, Saga aims to save more than NKr400m in annual administrative costs by cutting 430 from its 1,800 staff by July and spending NKr130m less on IT, travel and office expenses.

Saga will halve its exploration budget to NKr300m, reduce field development investments and UK activities, and halve its number of organisational units. Saga Petroleum has reorganised the company into 14 business units under four business areas: Norwegian shelf north, Norwegian shelf south, international, and oil and gas.

NEWS DIGEST

COSMETICS

Glossy L'Oréal forecasts sustained growth ahead

L'Oréal, the French cosmetics group, yesterday reported a 12 per cent rise in 1998 net profits to €719m (US$776m), and forecast another year of "strong growth" in 1999. Sales rose 9.1 per cent to €11.5bn. The company also reported a 9.5 per cent rise in first quarter sales to €2.6bn. It is planning to pay a dividend of FFr18.5 a share, yet to be approved by shareholders, up from FFr16 in 1997. L'Oréal shares closed at €651, up 6.3 per cent. Lindsay Owen-Jones, chairman, said 1998 had been an "extraordinary year" for the group, with uninterrupted growth in spite of the emerging markets crisis. **Samer Iskandar, Paris**

REPROGRAPHICS

Printers switch lifts Océ

Océ, the Dutch reprographics group, is benefiting from improved margins amid a switch to digital printers and copiers as well as a greater share from service contracts in its income. Net earnings for the first quarter rose 12 per cent to €26.2m (US$30.4m) although revenues at €629.6m were just 1 per cent higher. Negative effects from exchange rates held back growth, particularly in its wide-format printing systems used in the engineering sector. Sales there fell 5 per cent to €170m, although the company expects that the imminent launch of a mid-volume printer-copier for that market will contribute to profits in the second half. The annual meeting approved a redenomination of Océ's capital to a par value of €0.50 from Fl 1, to take effect from April 19. **Gordon Cramb, Amsterdam**

BANKING

Ceska Sporitelna reports loss

Ceska Sporitelna, the dominant Czech retail bank that is due to be fully privatised at the end of this year, yesterday reported a preliminary 1998 loss of Kc3.8bn (€98m, US$107m) according to international standards. In 1997 the bank had made a Kc2.8bn profit. The bank made Kc10.3bn of provisions last year because of stricter central bank rules on collateral for its loss loans, the impact of the Russian loan default on its investments, and the deep Czech recession. The volume of client deposits only increased by 3 per cent to Kc311bn while loans to clients fell 15 per cent to Kc142bn, partly because of the transfer of Kc10.4bn of bad loans to Konsolidacni Banka, the state factoring bank. The government expects to issue a tender in May for the sale of its 45 per cent stake in Ceska Sporitelna. To ensure it goes smoothly, it has transferred some of its bad loans, subscribed to a Kc5.5bn subordinated bond issue and is expected to remove low-interest social loans before privatisation. Last month the government also changed most of the bank's board and agreed to take part in a potential doubling of its share capital.
Robert Anderson, Prague

HOTELS

Sol Meliá seeks expansion

Sol Meliá, the listed Spanish hotel group, is seeking to expand rapidly in Europe following the completion of a controversial merger process that has brought the different companies controlled by the Majorca-based Escarrer family into a single unit. The restructured business is competing with a peer group of hotel operators which includes the Sheraton, Holiday Inn and Meridien brands for the acquisition of hotel assets in France, Holland and Belgium owned by Libertel, a subsidiary of France's Vivendi conglomerate that has been put on sale. The plans by Sol Meliá, which operates 243 hotels worldwide involve seeking to build up a strong presence in large cities in Europe and in Latin America. The company believes that by consolidating its hotel ownership and hotel management units it has the financial strength to grow by acquisition.
Tom Burns, Madrid

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CONGLOMERATES PROFITS RISE BY 14 PER CENT BUT STILL FAIL TO MEET EXPECTATIONS

Surge in power systems lifts GE

By John Authers in New York

General Electric, the US conglomerate, succeeded in raising profits by 14 per cent in the first quarter, on the back of a 6.8 per cent increase in revenues.

Jack Welch, GE's chief executive, also boosted sentiment with his bullish prediction that the company would register "record performance" for the remainder of this year, thanks to "aggressive moves" to position itself for growth.

However, the results were not significantly ahead of the earnings predicted by analysts polled by First Call, the research group, and the stock slipped $⅝ in early trading to $113⅞.

GE's market capitalisation has been overtaken by that of Microsoft in recent months, but at $373bn it remains the world's second largest company by market value.

Most sections of the company, which has diversified into financial services and media from its traditional base in manufacturing, registered increases. Power systems logged the greatest growth in profits, rising 27 per cent from $143m to $182m. The company said the division had signed 20 long-term service agreements during the first quarter, valued at more than $1bn.

GE Capital, the largest non-bank financial services organisation in the US, saw its profit rise 17 per cent to $1.03bn, from $881m in the first quarter last year, on the back of an 11 per cent increase in revenues.

It completed six acquisitions during the quarter, including several deals in Japan where it has been "bargain-hunting". Earnings from Japan rose almost 400 per cent compared to the first quarter of last year to $40m.

Global consumer finance, which covers nations outside the US, doubled its profits.

The NBC broadcast network, still the largest in the US, raised profits by 12 per cent to $334m. Mr Welch also pointed to a series of investments which NBC has made in interactive entertainment companies.

Appliances was the only segment to suffer a decline in profits, dropping 2 per cent to $161m on the back of a small drop in revenues.

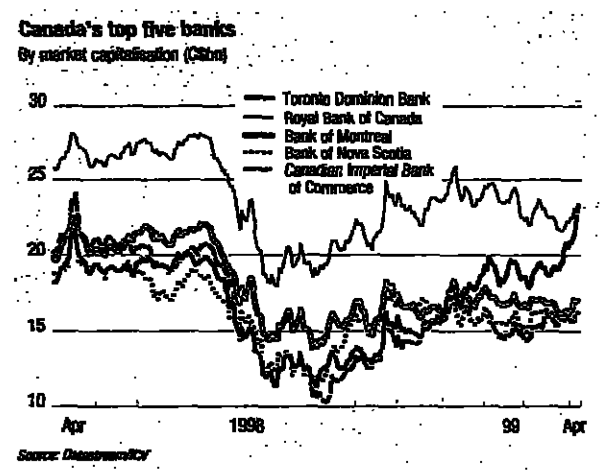
The company helped its share price with a share buyback programme. Cash generated from operating activities rose 37 per cent to $2.1bn, of which $425m was used to repurchase stock.

Overall earnings were $2.16bn or 65 cents a share. Revenues rose to $24.17bn from $22.63bn.

TD leapfrogs to top of Canadian bank league

Toronto-Dominion Bank's discount brokerage business has given it a lift, writes **Edward Alden**

Going for growth: Charles Baillie says discounting is integral



Toronto-Dominion Bank, long the smallest of Canada's "big five" banks, this week became the largest.

With investor enthusiasm for TD's burgeoning discount brokerage business pushing its stock to a record high, TD has overtake perennial leader Royal Bank of Canada as the largest Canadian bank by market capitalisation.

At Wednesday's closing share price of C$78.50, TD was valued at more than C$23.2bn (US$15.5bn), slightly above Royal Bank's C$22.8bn. TD shares were up another C$1.90 to C$80.40 in early trading yesterday.

Most of the excitement has been generated by the bank's announced plans to spin off its global discount brokerage through an initial public offering of 10 per cent of the business.

TD is the world's second largest discount broker, and is growing more rapidly than Charles Schwab, the largest.

"It's very rare that a Canadian gets that kind of opportunity in a high-growth business," Charles Baillie, chairman and chief executive, said yesterday. "We'd really like to push that."

With shares in Schwab trading at more than 90 times earnings, analysts are predicting that TD's IPO could generate close to C$1bn, allowing it to increase spending on advertising and technology. Shares in the new company, to be known as TD Waterhouse Securities, should also be a much more potent currency for acquisitions than the bank's lower multiple shares.

While TD has historically generated the best shareholder returns of any Canadian bank, it has often been dismissed as a poor cousin to Royal Bank and the Canadian Imperial Bank of Commerce.

But shares in the other banks have languished since the government last year blocked two merger proposals that would have joined Royal with the Bank of Montreal and TD with CIBC.

Analysts say that without the size the mergers would have brought, Canadian banks must become more focused players, concentrating on niche businesses on a North American or global scale. TD appears well ahead of its rivals in making that transition.

Mr Baillie said the bank began to scrutinise all 34 lines of its business three years ago and to allocate capital to high-growth portions that promised the best return on equity.

That led to a decision to abandon two businesses entirely, payroll and custody, and to concentrate on seven areas: discount and full-service brokerage, investment management, mutual funds, electronic banking, retail branch banking and investment banking.

TD's competitors are only beginning that process. Anthony Comper, the new chief executive at the Bank of Montreal, announced a similar review in February, and CIBC's incoming chief executive, John Hunkin, followed suit last month.

For TD, the crown jewel has been discount brokerage. Led by Waterhouse Securities, the US discount brokerage company acquired in 1996, revenues from TD's wealth management division grew by 87 per cent over the last year while net income more than doubled.

TD's entire wealth management business produces just 16 per cent of profits, but it is growing rapidly worldwide at a time when Canada's banks face a saturated market at home.

Mr Baillie says the discount business is an integral part of TD's core banking strategy. Rather than leaving money in low-yielding deposits, brokerage customers can invest for higher returns while enjoying the same services associated with traditional bank accounts.

"You can make deposits, you can take loans out, you can transfer money and you get a better return than you would on a bank account. To us it's really banking... It's very much the way our industry will look going forward."

Royal Bank announced this week it would invest C$29m to expand the operations of Bull & Bear Securities, its tiny US discount brokerage subsidiary with just 25,000 accounts. Bull & Bear is the same size that Royal's Canadian discount broker, Action Direct, was seven years ago, and Action Direct has since grown into Canada's second largest behind TD.

But Mr Baillie says the barriers to entry are much higher than a few years ago. "It really is a critical mass business. You're not going to be profitable until you are a fair size. It is an area where we can get a jump and keep that for some time." The barriers have grown higher as commissions have dropped.

He also predicts the discount business will continue to consolidate because the economies in establishing a distinct brand and the synergies of merging back office operations are enormous.

While things have rarely looked better for TD, the stock promises to be much more volatile than in the past.

Nigel Heath, analyst with Dominion Bond Rating Service, which downgraded all the Canadian banks last month, says TD is heavily exposed both to a downturn in the markets and to waning investor enthusiasm for internet-related stocks.

Mr Baillie acknowledges the concern, but is not overly worried. "We are going to be more volatile," he says, "but we'll be volatile from a higher base."

Philips and VLSI end their stand-off

By Louise Kehoe in San Francisco

Philips, the Dutch electronics group, has reached a standstill agreement with VLSI Technology, the Silicon Valley chipmaker that it launched a hostile bid for last month.

The agreement ends a stand-off between the companies and could lead to a higher bid from Philips, analysts said. However, VLSI has retained the right to seek alternative offers.

VLSI had previously rejected Philips' cash bid of $17 a share, or about $777m. However, last week the chipmaker proposed the standstill agreement, which would give Philips access to its internal records while establishing a cooling-off period of 45 days.

Philips, which initially rejected this proposal, yesterday said it had agreed not to acquire more VLSI shares or pursue efforts to unseat VLSI's directors until May 10. The company extended its offer, which had been due to expire next week, to the end of the standstill period.

In return, VLSI will open its books, allowing Philips to conduct a two-day due-diligence session this week.

VLSI also agreed that if it seeks a formal proposal from a third party during the standstill period, it will also give Philips an opportunity to renew its bid.

VLSI, which is being advised by Morgan Stanley and Hambrecht & Quist, has been seeking alternatives to Philips' hostile takeover.

In September and October VLSI lowered the prices of stock options offered to employees. Under US rules, this means that an acquisition could not be treated as a "pooling of interests", followed by a big write-off.

Instead, a US buyer would have to amortise goodwill over several years, which would lower its net earnings. But since European companies are already restricted in the use of "pooling", this requirement does not represent an impediment for Philips, which is being advised by Credit Suisse First Boston.

VLSI shares were trading at $19¼ in mid-session yesterday, down $⅞ from Wednesday's close. At this price, VLSI's market value is about $896m.

NEWS DIGEST

COMMUNICATIONS

Nortel Networks shares rise on Bell contract

Shares in Nortel Networks rose 8 per cent in early Toronto trading yesterday after the Canadian communications networking company announced it had won a contract to supply Bell Atlantic, the US carrier, with US$600m worth of local access network equipment. The contract was seen as an important victory for Nortel as it has been trying to increase its market share in local access products, which account for a significant portion of carriers' capital spending.

Alcatel, the French telecommunications equipment maker, was awarded a similar US$800m contract, but industry observers noted that Nortel had cut into Alcatel's market share. Prior to yesterday's announcement, Bell Atlantic had relied on Alcatel for about 80 per cent of its local access equipment.

While Nortel is a leader in fibre optic transmission equipment for long-haul traffic, it has taken only a modest share of the market for local access equipment. "This [deal] speaks volumes about Nortel's ability to marry datacom and optical networking. It sets up the long-term potential for Nortel to knock off Lucent Technologies [of the US] in the local access market," said one industry analyst.

In a separate US$400m agreement with Bell Atlantic, Nortel is to upgrade voice switching equipment that it had previously provided to the carrier. Nortel shares were up C$8.25 at C$109.45 following the announcements.
Scott Morrison, Toronto

Cisco makes two buys

Cisco Systems, the dominant provider of routers for internet traffic, is buying two companies for a combined total of $445m worth of stock, boosting its ability to help telephone companies upgrade their networks to handle more voice and data traffic.

Cisco said yesterday it would buy Fibex Systems and Sentient Networks, which make equipment that support the asynchronous transfer mode (ATM) standard – switching technology that allows high-speed transfer of voice, data and video across a network.
Reuters, San Jose, California

ACCOUNTANCY

D&T sells subsidiary

A subsidiary of Deloitte & Touche, the US "Big Five" accounting firm, has been sold through a management buy-out. Resources Connection, which had seen revenues rise to $100m a year from its foundation in 1996, was spun off in order to avoid regulations which were already clipping $9m a year off revenues.

The unit provides skilled professionals on a project or interim basis to clients to help with M&A deals, IT system installation and other assignments. However, the business was constrained by rules governing services which it was unable to supply to audit clients of Deloitte & Touche. The MBO was backed by Evercore, the New York investment firm founded in 1995 by Roger Altman, former US deputy treasury secretary. **Jim Kelly**

PHARMACEUTICALS

Overseas growth lifts Abbott

Abbott Laboratories, the US drugs and healthcare products group, yesterday reported a 13.2 per cent increase in first-quarter earnings per share, to 43 cents. After-tax profits stood at $666.6m, up from $529.6m previously, with sales increasing 8.3 per cent to $3.3bn. The strongest sales growth came outside the US, although domestic sales increased by about 6.5 per cent. The results were slightly better than analysts' forecasts and Abbott shares rose $1[illegible] in early trading to $49[illegible]. *Nikki Tait, Chicago*

Kokumin seeks extra capital

By Naoko Nakamae in Tokyo

Kokumin Bank, a Tokyo-based second-tier regional bank, yesterday said it was appealing to its leading shareholder to help boost its capital base in the wake of an inspection by the Financial Supervisory Agency, the banking watchdog.

It is understood the FSA's inspection will show the bank to have a capital deficit of around Y50bn ($412.5m). Should Kokumin Bank be unable to raise more capital, government authorities could deem it insolvent.

A total of Y7,450bn of public funds was injected into leading banks to stabilise the ailing banking system, but Kokumin's woes could be the first sign of further problems in Japan's large regional banking sector.

Yukio Okonogi, Kokumin's president, yesterday said it had asked for help from Kokusai Kogyo, a transport and leisure group that owns 75.3 per cent of Kokumin.

"We have not heard from the Financial Supervisory Agency or the Financial Reconstruction Committee. And we have not yet received the official results of the inspection. At the moment we plan to continue to ask for help from our main shareholder, Kokusai Kogyo."

Kokumin, which was established in 1953, is a small bank with 38 domestic branches, 745 employees and some Y520bn in deposits. Kokusai Kogyo, which is unlisted, said it would not comment on whether or not it would aid Kokumin until the result of the FSA's inspection was announced.

But industry insiders were doubtful whether the company would be prepared to advance further capital.

In fiscal 1997, Kokusai Kogyo injected some Y23bn into Kokumin through a third party share allocation and the purchase of Kokumin's headquarters.

This helped the bank raise its capital adequacy ratio ahead of a government plan requiring banks to adopt prompt corrective action if they did not meet capital adequacy standards.

Kokumin's troubles highlight the continuing fragility of the Japanese banking system. Last year, Nippon Credit Bank and Long-Term Credit Bank, two insolvent banks, were forcibly nationalised. But government officials were doubtful whether this option would be chosen for a smaller bank.

RETAILING CHAIRMAN TO PAY HK$1.53bn TO MOVE GLOBAL BRANDS PORTFOLIO, INCLUDING HARVEY NICHOLS, INTO PRIVATE COMPANY

Dickson Concepts to sell foreign assets

By Louise Lucas in Hong Kong

Dickson Concepts, one of Hong Kong's most successful international companies and owner of London's upmarket retailer Harvey Nichols, has announced it will sell its foreign assets.

Global brands, including controlling stakes in Harvey Nichols and ST Dupont of France, will be shifted into a private company owned by Dickson Poon, chairman, and his family. Mr Poon and his associates will pay at least HK$1.53bn (US$197.4m) for the aggregate portfolio.

The deal strengthens the balance sheet of the new, Asian Dickson Concepts, giving it net cash of some HK$435m. While this makes it a more attractive acquisition, Mr Poon underlined his commitment to both the company and its public listing.

Mr Poon said the move would unlock shareholder value while allowing for common control and ownership under the wider Dickson umbrella. "Dickson as a whole has always emphasised the importance of global networks, and that's the whole beauty of this transaction," he said.

Dickson Concepts was severely hit by the Asian financial crisis, which made dents not only in the Asian stores but also at luxury names like ST Dupont, which relied heavily on Asian buyers.

As a result, Dickson Concepts is set to announce its first annual loss in 19 years of trading.

However, Mr Poon said that as Asia moves into recovery the company could be dragged down further by its European interests.

ST Dupont's restructuring is expected to be costly and will not generate returns in the near term, while the cost of expanding Harvey Nichols in a mature market would also be a drag on the group.

"I strongly believe in the future growth and profit potential of the Asian businesses, and that is why I'm willing to increase further my interest in Dickson Concepts," he said.

The restructured Dickson Concepts will be less cash-hungry than the non-Asian which Mr Poon said will require funding of over HK$500m over the next two to three years. This includes £20m ($31.9m) for the opening of Harvey Nichol's latest new store in Edinburgh.

While this burden now falls to Mr Poon and his family, some bankers noted that Mr Poon may list the private entity further down the line, while others said partial privatisation at depressed market values was often opportunistic.

But some financiers pointed out that shareholders could have obtained a higher price in the market. Stephen Clarke, managing director at Anglo-Chinese Corporate Finance, said: "The price may be fair but a controlling shareholder is not going to pay top dollar for assets already owned."

The deal is two-pronged. The non-Asian assets, plus certain of their debt obligations, will be acquired by Mr Poon and his family and, in return, shareholders will receive a special cash dividend of HK$6.80 per share.

After the disposal, Mr Poon will make a partial offer for 51m Dickson Concept shares at HK$2 a share. Shareholders who take up this offer will effectively receive HK$8.80 a share, a premium of 42 per cent to the closing price before trading in the shares was suspended on Wednesday.

While the Poon family will tighten its grip on the slimmed-down listed entity as well as acquiring part of its portfolio, Mr Poon ruled out a full privatisation.

The group intends to maintain its listing on the Hong Kong stock exchange; under domestic rules that will mean keeping a public float of 25 per cent of the shares.

Mr Poon would only say that funding would come from his internal resources. Mr Poon now owns 51.9 per cent of Dickson Concepts, and a further 2.5 per cent is held by his family.

As such, he himself is a beneficiary of the dividend payout which should leave him with a funding shortfall of some HK$700m to pay for the assets, calculates Carlton Poon, director at Worldsec International, a Hong Kong brokerage.

Dickson Poon, chairman, has ruled out full privatisation

Schweppes moves to secure sale

By Gwen Robinson in Sydney

Cadbury Schweppes, the UK confectionery and beverage group, said yesterday it remained confident that its planned sale of soft drink brands to Coca-Cola would proceed despite objections raised by Australia's competition watchdog.

The ACCC yesterday said Coca-Cola's proposed acquisition was likely to breach domestic merger provisions. Under the original proposal, there would be a "substantial lessening of competition in the market for the production and wholesale supply of carbonated soft drinks in Australia".

David Kappler, Cadbury's finance director, said the $1.85bn deal with Coke would not be materially affected by the Australian Competition and Consumer Commission's decision and would probably be completed in the third quarter. "Australia was always obviously a useful part to the total deal, but I'm not anticipating any material adverse effect on the total consideration we shall receive."

Regulators said they would consider a revised proposal submitted by Coca-Cola and Schweppes. The revised proposal is believed to include provisions for the divestment of some of Schweppes main beverage brands in Australia. Allan Fels, ACCC chairman, said the commission would investigate the revised proposal for its potential effect on domestic competition.

The original proposal would have seen Coca-Cola's share of the carbonated soft drink business in Australia rise to about 75 per cent from 65 per cent, said the ACCC. Cadbury Schweppes controls about 14 per cent of the market, PepsiCo about 9 per cent and other small independents the remaining 12 per cent. Under the initial proposal, concentration would have been even higher in non-supermarket segments of the market, such as hotels and clubs.

With Schweppes' international brands, Coke would have a pre-eminent range of premium branded soft drinks, threatening the capacity of existing and new participants to compete in supplying retailers.

Coca-Cola said yesterday its amended proposal submitted to the ACCC was "substantially different" from the initial deal and addressed the ACCC's "core concerns". "The companies had positive discussions with the ACCC ... regarding the amended proposal and believe that real progress has been made towards a successful outcome."

Coca-Cola owns 43 per cent of Coca-Cola Amatil, the Australian based bottling operation.

Coca-Cola Amatil yesterday said it had begun talks with Coca-Cola regarding the company's "possible involvement" in the deal between Coca-Cola and Cadbury Schweppes.

Profits rise at Sinar Mas pulp subsidiaries

By Sander Thoenes in Jakarta

The three pulp and paper subsidiaries of Sinar Mas, one of Indonesia's largest conglomerates, all reported stronger profits yesterday but fluctuations in Indonesia's foreign exchange and interest rates overshadowed operational results.

Indah Kiat Pulp & Paper said profits were up 24 per cent to $263.1m after a 19 per cent rise in sales. Foreign exchange losses of $163.3m and interest expenses of $102.7m took a bite out of the operating results.

Pindo Deli Pulp & Paper Mills said profits rose fourfold to $80m, from $15.5m last year. Sales rose 56 per cent to $534.2m and foreign exchange losses fell by almost two thirds to $22.8m but interest expenses rose by more than 50 per cent to $73.4m.

Pabrik Kertas Tjiwi Kimia, which produces only paper, said profits rose 54 per cent to $109.9m.

Unlike its sister companies, which rely mainly on pulp sales, Tjiwi Kimia saw sales decline to $631.4m from $705.5m.

Pulp sales have held up thanks to the rise in the competitiveness of Indonesian pulp following the collapse of the rupiah. Production costs for Sinar Mas pulp plunged from $290 per tonne to just under $100.

Renong adapts to the new order

The Asian crisis has led the conglomerate to distance itself from the government

By Sheila McNulty in Kuala Lumpur

At the first annual general meeting of Renong after the Asian financial crisis began, press officers of Malaysia's biggest corporate debtor barred reporters from the room, assuring them that Halim Saad, executive chairman, would eventually come out to address them. *He left through the kitchen door.*

But the length and depth of the crisis have made it impossible for a company of Renong's stature to maintain such secretiveness. It has *emerged that the infrastructure conglomerate* has M$28bn ($7.37bn)in borrowings – about 5 per cent of banking system loans – and *is facing significant financial* difficulties. Renong reported at the end of March that its losses widened to M$1.32bn for the six months to end December.

The crisis has diminished the prestige of one of the most watched groups in Malaysia, with a stable of nine listed companies and businesses ranging from construction to telecommunications to oil and natural gas.

And though its ties to the government remain, some analysts believe it will never return to its former position of distinction.

Renong was once the *investment vehicle of the* ruling Umno political party and, despite denials, the group's attempts to restructure have only heightened analyst impressions that the authorities still accord it *special treatment.*

But the crisis has ushered in a new willingness on the part of shareholders to express dissatisfaction with perceived government bail-outs of the private sector.

Renong's efforts to restructure have been plagued by problems, as the investment community interpreted privileges given by the government *as a demonstration* of its lack of commitment to institutional regulations.

The group first turned to its UEM subsidiary, long favoured by investors because its toll operations *generate steady cash flow.* At the end of 1997, UEM borrowed M$2.4bn to buy a 32.6 per cent stake in Renong, and the authorities granted *special privileges in the* form of a waiver to UEM, excusing it from having to make a general offer for the remaining shares of Renong.

Investors abandoned the stocks, and the market as a whole, interpreting the deal *as a politically sanctioned* and forced bail-out of a heavily indebted parent company by its subsidiary at the expense of minority shareholders.

Late last year, the combined *Renong-UEM group* announced it would be the beneficiary of a M$10.5bn government-sponsored debt restructuring.

Investors and analysts once more expressed dismay at *the government's obvious* support, forcing the replacement of that plan by a third restructuring this month.

This last restructuring has been far more acceptable in that it does not include direct government backing for a total issuance of M$8.4bn in bonds to bring debt payments of Renong and UEM up to date. But *analysts said government* assistance remained in the form of incentives for investors and extended concessions on the group's toll *operations.*

Nevertheless, that Renong even came up with another plan to distance the government from the group signals just how much business is going to change for the conglomerate. The opposition *party has made big inroads* with charges of favouritism.

"The sentiment of the public is different," says an analyst at a bank-backed brokerage house.

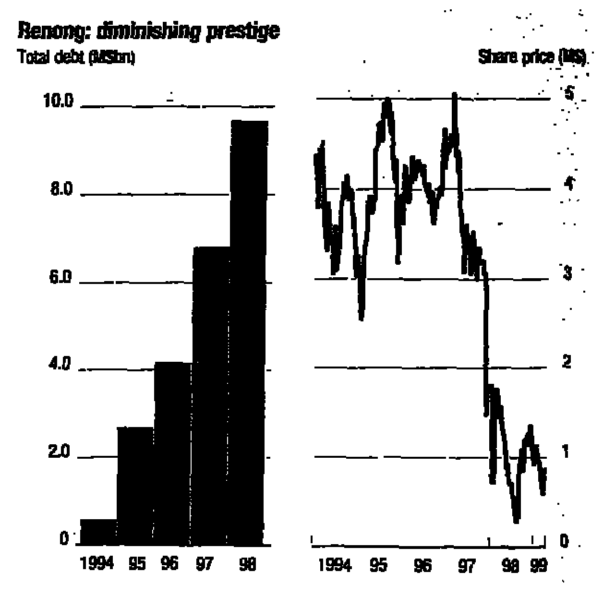
Not only will Renong have *to contend with a government* attempting to be more responsive to the public, it also needs to face up to the end of the rapid burst of infrastructure growth that enabled it to transform itself *from an unknown real-estate* company into a far-reaching conglomerate.

"Renong is an animal created in the construction boom. We are unlikely to see that quantum of activity for a long time because the base already is so large," says Lai Tak Heong, research director at SG Securities.

The latest restructuring *leaves Renong and UEM* with little choice but to dispose of assets to repay UEM's toll-road operator, PLUS, which will issue the *M$8.4bn of seven-year, zero-*coupon bonds to allow Renong and UEM to pay their debts. Upon maturity, PLUS will have to pay M$16.7bn to bondholders. So Renong must, in turn, repay PLUS M$8.8bn and UEM *must repay M$5.9bn in 2006.*

Analysts worry whether Renong and UEM can sell their assets, noting that their success is contingent *on a recovery in the economy*, now in recession. Beyond that is the likelihood that the authorities will want to spread their risk in *future*, given that the Renong debacle has highlighted the severe consequences for the banking sector and the wider economy if too much business is entrusted to a single group.

"It is a huge problem," Mustapa Mohamad, second finance minister, told reporters as the government was thrashing out the restructuring. "It is a big company involved in strategic infrastructure." Given its recent troubles, the days of Renong's uncontested ranking in the business community, might well be over.



Source: Datastream/ICV

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PAY TELEVISION FRENCH GIANT WANTS TO SUPPLY SERVICES TO TELEPIU AND ITALIAN SATELLITE SUBSCRIBERS

Canal Plus makes offer on Stream

By John Gapper, Media Editor

Canal Plus, the French pay television company, has offered to acquire the satellite subscribers of a rival pay television service in Italy as part of negotiations that could bring an end to a long-running rivalry.

Canal Plus's Telepiù service is thought to have offered about $110m to take 80,000 subscribers from Stream, controlled by Telecom Italia. Telecom Italia is also considering other offers to restructure the loss-making Stream.

Canal Plus, which recently broke off merger talks with British Sky Broadcasting, the UK pay television company, wants to supply programming to both Telepiù and Stream, but leave Stream's cable subscribers with Telecom Italia.

According to people close to the talks, Canal Plus wants to supply programming to both Telepiù and Stream, while leaving the two platforms nominally separate. This could help avoid European Commission monopoly concerns.

The talks have been prompted both by the Olivetti bid, and by opposition to earlier efforts by News Corporation, which is controlled by Rupert Murdoch, to build up Stream as a rival service to Telepiù alongside Telecom Italia.

Following political opposition and delay in signing other partners to Stream, Mr Murdoch entered talks with Canal Plus on a combination of their European pay television interests. News Corp holds 40 per cent of BSkyB.

It would be relatively easy to run satellite subscriptions to Stream and Telepiù alongside each other because both of the services are broadcast from the same satellite. Telepiù is estimated to have about 1.4m subscribers.

Canal Plus executives also hope that Telecom Italia could take a minority stake in Telepiù as part of a settlement. The French company is seeking to reduce its stake in Telepiù to about 45 per cent from 90 per cent.

The French group is thought to be offering a little under the benchmark price of $1,500 per subscriber in similar deals.

Analysts have said that Telecom Italia might be forced to close Stream if it cannot strike a deal. Olivetti has said it would seek a "strategic alliance" for Stream if it succeeded with its hostile bid for Telecom Italia.

Shipping weathers increased pressure

Mergers are meeting cost/scale demands say Charles Batchelor and Valeria Sköld

Hard-pressed shipowners around the world are applying the rules of seamanship to the way they manage their business empires.

Just as a large ship is more favourably placed to ride out a stormy sea than a smaller vessel, so shipowners are concluding that bigger is better when it comes to weathering the storm of commercial pressure on their industry.

Three deals in the past month in the Nordic shipping community have highlighted the scramble for safety in size which has characterised the sector over the past two years.

The latest pairings are Teekay Shipping, operator of the largest fleet of medium-sized oil tankers, which is buying Norway's Bona Shipholding; Wilhelm Wilhelmsen, also of Norway, which is to integrate its car-carrying and roll on/roll off freight activities with Wallenius Lines of Sweden; and Sea Containers which is taking control of Neptun Maritime, a ferry and cruise group.

The rationale for the three deals is different but they indicate that the urge to merge is occurring across widely differing sectors of the shipping industry – in commodity markets such as tankers as well as in specialised sectors such as car transporting. "The market has definitely sparked up," says Peter Stokes, head of shipping research at Lazard Capital Markets. "Generally they have been defensive mergers but there has been some activity involving strategic alliances."

The increase in activity represents a modest reversal of the trend of recent decades which has seen the fragmentation of the shipping empires of the traditional European shipping nations.

This led to ownership shifting to individual, often highly secretive owners – many of them Greek – or to newly emerging ship-owning dynasties in south-east Asia.

The latest round of merger activity has been given a push by the problems of the Asian economies, though chronically low rates of return have been the norm in sectors such as containers for many years.

In addition, "conference" agreements which have been the traditional way of maintaining earnings in the container and general cargo markets, have been undermined by the regulatory authorities. The European Commission's competition directorate has harried the conferences on the trans-atlantic and Asia-Europe routes for many years.

These pressures have forced ship-owners to engage in mergers for the following reasons:

- Cost savings. In sectors such as containers and the cruise industry, considerable savings ashore and at sea can be achieved by operating larger fleets. Maintaining networks of agents selling container "slots" on vessels is expensive. Combining sailing schedules and bulk purchasing of port handling services can also produce savings.

"The cruise industry also has high costs maintaining brand awareness through advertising," says Ole Slorer, shipping analyst at Morgan Stanley Dean Witter. "It helps if this can be spread over a larger fleet."

- Operating benefits. Larger fleets can offer a more comprehensive range of sailings to customers and the fleet can be deployed more effectively. These advantages mean the ship-owner has more negotiating power with charterers and with customers.

However some industry observers warn that the power of the newly merged shipping groups should not be overstated. "You don't get much pricing power in a commodity market like tankers," says Mr Slorer. "It is too fragmented."

And mergers will have little impact if new ships, built in low-cost yards desperate for orders, continue to flood into the market.

"The pressure on some of these owners to do something to improve earnings may result in consolidation, but I don't see any revolution," says Finn Engelsen Jr, head of research at Norwegian ship broking consultants Lorentzen & Stemoco.

- Investor profile. Apart from a handful of very large players such as P&O of the UK, Carnival, the US cruise operator, and Neptune Orient Lines of Singapore, many medium-sized shipowners are too small to make much impact on stock markets and the analysts who follow them.

"Larger companies enjoy a higher market rating because their shares are more liquid," says Mr Slorer. Companies with a more widely dispersed pattern of ownership are also more attractive.

Shipping: pushing the boat out

Date	Company	Deal	Sector	Value ($m)
Sep 96	P&O (UK)	merges with Nedlloyd (Netherlands)	Containers	–
Oct 96	P&O (UK)	merges with Stena Lines (Sweden)	Ferries	–
Apr 97	Neptune Orient Line (S'pore)	buys American President Lines (US)	Containers	825
Sep 97	Frontline (Norway)	buys London & Overseas Freighters (UK)	Tankers	119
Feb 98	Nordström & Thulin (Sweden)	merges with Argonaut	Tankers (Sweden)	–
Apr 98	Carnival (US)	buys Cunard (Norway)	Cruises	500
Jul 98	Evergreen (Taiwan)	buys Lloyd Triestino (Italy)	Containers	–
Sep 98	CP Ships (Canada)	buys Australia New Zealand Direct Line	Containers	110
Nov 98	Mitsui OSK (Japan)	merges with Navix (Japan)	Dry bulk, tankers, gas carriers	–
Feb 99	AP Moeller (Denmark)	buys Safmarine Container Lines (S Africa)	Containers	200
Mar 99	Wilhelm Wilhelmsen (Norway)	joint venture with Wallenius Lines (Sweden)	Car transporting	–
Mar 99	Sea Containers (Bermuda)	buys 51% of Neptun Maritime (Finland)	Ferries and cruises	105
Mar 99	Teekay Shipping (Bahamas)	buys Bona Shipholding (Norway)	Tankers	450

Source: companies

Note: Value given for acquisitions when made available. No value put on mergers

French group in nuclear shift

By David Owen in Paris

Framatome of France expects to make more money from connectors this year than from its traditional nuclear business.

Figures released yesterday with the group's 1998 results show it expects €230m ($248m) of consolidated operating profit from connectors in 1999 – up from €108m last year – against €200m from its energy sector.

This would mark a substantial change for a company created 40 years ago as Franco-Américaine de Constructions Atomiques to develop French expertise in nuclear reactors.

Much of the projected rise in connector-related profits and turnover is attributable to last year's $1.5bn acquisition of US-based Berg Electronics. Following the takeover, Framatome claims to be world number two in connectors. As recently as 1997, operating profit from the energy sector was four times that from connectors.

Confirmation of this shift in the group's centre of gravity came as it reported a fall from €151m to €92m in annual net attributable profit. The result, on turnover marginally down from €2.8bn to €2.75bn, was in a year when the company did not invoice for any new nuclear power units. Consolidated operating income fell from €366m to €247m.

Yesterday's developments follow considerable speculation about possible changes in the company's shareholder base.

Serge Tchuruk, chairman of Alcatel, the telecommunications equipment group which owns 44 per cent of Framatome's capital, disclosed last month that the French government was to allow Alcatel to pull out.

There has been no clear indication of who Alcatel's replacement, or replacements, might be. Mr Tchuruk made clear that details on the withdrawal had not been decided.

Harnischfeger climbs higher

By Nikki Tait in Chicago

Shares in Harnischfeger, the US manufacturer of mining and paper-making equipment, continued to climb early yesterday in spite of the company's downbeat response to the disclosure that there may be a potential buyer for the company.

The claim was made by Trinity I Fund LP, an investment group linked to the Texas-based Bass family, which holds an 8 per cent stake in the company.

In a filing with the Securities and Exchange Commission, Trinity claimed that Harnischfeger's board might be "neglecting its fiduciary duty, particularly with respect to the evaluation of a recent offer that the company received from another company in the industry".

Trinity did not reveal the identity of the interested purchaser, but said it did not understand the basis on which the proposal "and the potentially significant synergies it could offer" were being evaluated.

Harnischfeger said yesterday that its next scheduled board meeting was due in May, and that it had no plans to bring this forward after Trinity's claim.

The Trinity letter indicated that no independent directors had met with the potential buyer, and said that the investment group itself would like to meet with non-management board members.

But Harnischfeger said yesterday it was not aware of plans by the board to meet representatives of Trinity in the wake of the letter's publication. The company said it was "open to considering any credible opportunity".

By lunchtime yesterday, Harnischfeger shares were $1 higher at $8⅝, although this is still way below the 52-week high of almost $35.

The company has faced a variety of problems recently – notably with a big paper-making machinery contract in Indonesia, and also with the fall-off in demand for mining equipment.

Cap Gemini to buy Beechwood

By Christopher Price

Cap Gemini, Europe's biggest information technology services group, is paying $200m for Beechwood, a US computer services company serving the North American telecommunications market.

The acquisition is the latest example of European software and services companies moving into the US market.

They have been drawn by the opportunities offered by the size of the region, and the fragmented nature of the computer services business in the US.

Based in New Jersey, Beechwood employs about 400 and last year made revenues of $56m. It is forecasting a 43 per cent increase to $80m in 1999.

The company provides information technology services to the telecoms industry, which is becoming increasingly reliant on technology as one of its main revenue drivers.

Cap Gemini said that Beechwood would be able to integrate with its existing US operations and generate other high value business for the group.

Cap Gemini last year reported revenues of $623m from its US operations, which employs 4,000 people. Its US telecoms business employs 750 consultants and last year had revenues of $120m last year.

Cap Gemini said the acquisition of Beechwood would enable it to offer global solutions in the customer relationship management market as well as customer care and billing services.

MEDIA TV COMPANY SIGNS UP 110,000 CUSTOMERS IN FIRST FOUR MONTHS

On Digital growth beats market forecasts

By John Gapper, Media Editor

On Digital, the digital pay television group owned by Carlton Communications and Granada Group, yesterday exceeded analysts' forecasts with the announcement that it had gained 110,000 customers in its first four months of operation.

The disclosure, following the announcement that British Sky Broadcasting gained 120,000 new subscribers to its Sky Digital service over a similar period, indicates digital television has got off to a strong start in the UK.

On Digital also announced plans to boost subscriber growth both by showing one-off exclusive programmes based on popular ITV shows such as Coronation Street and Emmerdale, and with a "pre-paid" subscriber offer similar to those for mobile phones.

However, some analysts were surprised the figures were well above industry data compiled by the GFK consultancy from tills at electronics stores, indicating that by mid-March On Digital had sold only 63,000 of the set-top boxes that are needed to receive its signal.

On Digital said its figures included only 5,000 discounted or free offers, and 5,000 bulk deals with hotels and property developers. It said GFK data reflected broad sales trends but consistently understated its actual sales.

Investors had expected about 85,000 subscriptions to have been sold after On Digital was constrained by set-top box shortages.

Stephen Grabiner, On Digital's chief executive, said the figures showed that the venture had achieved a "very good start" and he expected its rate of sales to accelerate during the autumn and Christmas selling season.

"This shows there is a market among the 18m people who have not so far been consumers of multi-channel television. We have started to find those people, and we are going to find a lot more of them," Mr Grabiner said.

On Digital said it had spent about £57m ($92m) in the run up to its launch last November, against estimates of £80m, and had fixed annual costs of £40m. About 90 per cent of costs were variable with its number of subscribers.

It said it would break even if it had 2m subscribers, at which point it would spend £270m a year on programmes, and a further £100m on marketing and subscriber management. At 3m subscribers, annual operating profits would be £108m.

The announcement lifted the share price of both companies, with Carlton closing up 20p at 634½p and Granada putting on 44p to £13.06.

CSG chairman's resignation puts bid in doubt

By Caroline Daniel and Clay Harris

Jeffrey Fowler resigned yesterday as executive chairman of Corporate Services Group, the recruitment business which has received a bid approach from Michael Ashcroft.

The move will be interpreted as a victory for a group of shareholders who called for an extraordinary meeting to remove Mr Fowler and four other directors following two profit warnings in March.

Mr Ashcroft, who is Conservative Party treasurer, appeared unlikely to pursue his bid if faced with a hostile board put in place by the shareholder group which consists of Schroders, Mercury Asset Management and M&G Investment Management.

The proposed offer, 87.7p-120p a share in cash and paper, is conditional on the board staying. The shareholders are understood to believe the offer undervalues CSG. Last July, CSG raised £130m in a share placing at 277p a share.

The shares rose 3p to 91p yesterday, valuing CSG at £213.7m ($344m).

The shareholder group, which holds 31.59 per cent of CSG, yesterday said it had the support of other investors who owned more than 20 per cent of CSG.

An adviser to the group said: "What is important is that every single shareholder we spoke to lent their support in the full knowledge of Mr Ashcroft's bid. They too have no confidence in this team and want a team in place in whom they have confidence." The shareholders said they had lost confidence in the management and wanted to bring "this period of uncertainty for the company to a close".

It is understood that Mr Fowler considered resigning as chairman last month, after the company issued its first profit warning.

However, CSG's board was uncertain whether to accept his resignation following the intervention of Michael Ashcroft late last week, who unveiled plans to merge his two main businesses, BHI and Carlisle Holdings, and take over CSG.

Although Mr Ashcroft did not comment on whether he would withdraw his offer following Mr Fowler's resignation, CSG consulted him before issuing its statement yesterday.

The company said Mr Ralph Hulbert, an existing director, would become non-executive chairman. Mr Robert McNabb and Mr Jean-Pierre Mace will continue to lead the group's operations in the US and France.

Shell stresses capital discipline

By Robert Corzine

Royal Dutch/Shell, the Anglo-Dutch energy group, yesterday sought to add fresh momentum to its widespread corporate restructuring by cutting costs and capital spending in the upstream exploration and production division.

Phil Watts, chief executive officer and group managing director of Shell's global exploration and production executive committee, said he expected to be able to make further cuts in capital spending this year.

He said the expected cut was evidence of increased capital discipline. Significant improvements in capital management is one of the guiding principles of its overall restructuring.

Although capital spending continues to be reined in, analysts noted that Shell also announced the go-ahead of a big field development project in the deepwater Gulf of Mexico. It will spend about $900m developing the Brutus field, with first production expected in late 2001.

Mr Watts said recoverable reserves at Brutus were likely to exceed 200m barrels of oil equivalent, which included natural gas. Production is expected to peak at 100,000 barrels of oil and 150m cu ft of gas a day.

Some analysts had questioned whether Shell could implement its worldwide shake-out of assets while ensuring that investment decisions were made that would underpin growth.

Shell's upstream division is aiming to realise cost improvements of $1.1 bn in 2001. About $300m should emerge this year. Oil production growth so far this year is flat, compared with the fourth quarter of 1998.

Walk on, walk on . . . with a media sugar daddy

Patrick Harverson looks at the implications for football if BSkyB's bid for Manchester United is rejected by the DTI

Football shares have never been investments for the faint-hearted, but over the next few days shareholders in the 20 quoted clubs will need to steel themselves for a shock if the government blocks British Sky Broadcasting's £623m takeover of Manchester United.

The Department of Trade and Industry is due to announce its decision on the bid within the next week. Recent reports have suggested the Monopolies and Mergers Commission's inquiry into the deal recommended blocking it. If this is the outcome, stock market analysts have warned the fragile football sector could take a big hit.

Nick Batram, football analyst at Greig Middleton, the stockbroker, says the severity of the market's reaction will depend on whether the government rules that all media takeovers are against the public's interest, or just BSkyB's, given its dominant position in the sports TV market and United's status as the country's biggest club.

Even if it were the latter, "there'd still be a knee-jerk reaction that would knock prices lower", says Mr Batram.

Vinay Bedi of Wise Speake, agrees that a rejection of the deal would be bad news for the sector: "My feeling is you would see shares come off purely on sentiment by 20 to 25 per cent."

Such a move would comfortably wipe out the bid premium in the sector generated in the wake of last September's bid for United. The week before BSkyB's interest in the club became known, the FT's Football Index stood at an all-time low of 748.71. Two weeks later, after a big jump in the shares of United and other clubs thought likely to face takeover offers from media groups, the index was at an all-time high of 1055.49.

Although it has retreated since then, at the end of last week the index was still well above its low at 922.24, and is up 11 per cent since the start of the football season last August. Over the same period, the FTSE All-Share has risen only 7 per cent.

Admittedly, a large part of this season's gains are down to the strong performance of United, which looms over the sector like a colossus – the club's market capitalisation of about £575m is more than four times that of Newcastle United, its nearest rival.

Yet, other clubs have benefited from bid speculation, including Tottenham Hotspur, Leeds United, Celtic, Newcastle United – which has conditionally agreed to accept a £150m-plus takeover bid from NTL, the cable TV group – and Aston Villa. However, Villa's shares have fallen recently following a slump in the team's results in the Premier League.

A veto of the United deal would probably knock some of the stuffing out of this group, although the decision would not necessarily preclude some form of tie-up between clubs and media groups. Purchasing minority stakes in clubs and agreeing exclusive broadcasting deals with them could be the way forward for media companies eager to become more closely involved in football.

If the government approves the BSkyB takeover, analysts consider a surge in football stocks unlikely, if only because the benefits of takeovers in the sector are already factored into the prices of clubs considered likely targets of media groups.

When the dust from the BSkyB-United affair finally settles, the football sector will still face the problem that predates the bid – the lack of a fundamental reason for investors to buy the shares. Sentiment has been profoundly hostile to football stocks for the past two years, primarily because of the failure of most clubs to generate sustainable profits.

Better returns, at much lower risk, are available elsewhere in the market, and to some extent football clubs have been caught up in the general malaise among small-cap stocks.

"When fund management groups shun bread and butter industries, why should they even entertain buying football stocks which can be extremely volatile, which no one feels comfortable valuing, and which can be so illiquid?" asks Mr Batram.

Another factor working against the sector is the worrying rise in player wage inflation. Revenues may be growing at Premier League clubs thanks to rising television income, but all of that extra cash, and more, is going straight into the hands of the players as wages rise annually by 25-35 per cent.

In such an environment, and with pay-per-view TV rights – once regarded as the best source of future revenues for the top clubs – still years away from full exploitation, football shares attract few buyers.

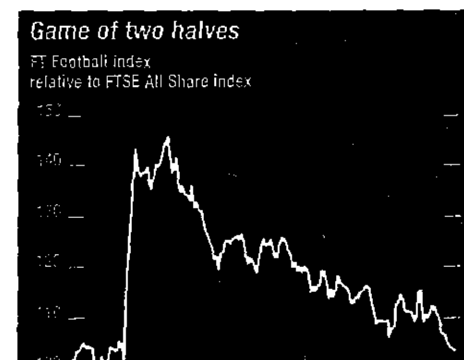
This explains why the City has reacted sceptically to reports that Liverpool is considering a stock market flotation. The Merseyside club's decision to hire an investment bank, Schroders, to advise on its financial future, prompted immediate talk of a public share issue.

Analysts, however, believe conditions in the sector are not conducive to a football flotation, even one of a club with Liverpool's impressive sporting pedigree. Schroders has been asked to look at all possible fundraising options, including a deal with a media group and a debt issue.

Mr Bedi thinks Liverpool are unlikely candidates to join the stock market. He says: "My understanding of Liverpool's position is they are not certainties to float, and this is just a dip-your-toe-in-the-water exercise."

At present, the water is cold and uninviting. If the government blocked the Manchester United takeover, it would quickly turn to ice.

Game of two halves



Football leaders and laggards 1998/99 season

	Share price Aug 1 1998 (pence)	Share price April 1999 (pence)	Change (%)
Leaders			
Leeds Sporting	13.75	22.75	65.45
Celtic	215.00	350.00	62.79
Sunderland	[illegible]	605.00	[illegible]
Manchester United	[illegible]	216.50	[illegible]
Tottenham Hotspur	64.50	77.50	20.16
Laggards			
Nottingham Forest	48.50	26.50	-45.36
Southampton Leisure	69.00	38.00	-44.93
Loftus Road (QPR)	17.50	10.50	-40.00
Heart of Midlothian	97.50	66.00	-32.31
Sheffield United	23.75	17.00	-28.42

Source: FTSE International; Datastream/ICV

David Beckham of Manchester United. Picture by ALLSPORT

Laird dented by US start-up losses

By Thorold Barker

Start-up losses at its US automotive sealings plant and restructuring charges in Germany were behind a 75 per cent fall in 1998 pre-tax profits at Laird, the engineering group.

Ian Arnott, chief executive, said the $55m plant made an operating deficit of £16m. As expected, start-up losses were exacerbated by high levels of scrap and problems in sourcing raw materials.

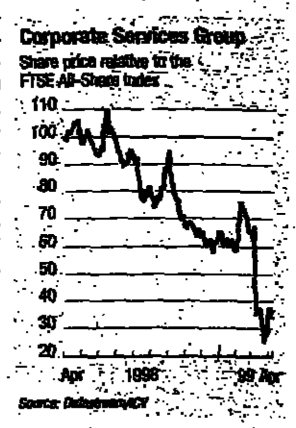
"We were expecting to lose money [this year] but not that much," he said.

Pre-tax profits were £23.7m (£67.1m), including an exceptional charge of £14.3m for restructuring the German sealing operations. This resulted in the loss of 350 jobs and should yield annual savings of about £5m.

Turnover rose 7 per cent to £1.13bn.

COMMENT

Corporate Services



The mulishness of some Corporate Services Group directors is breathtaking. Shareholders holding more than 50 per cent of CSG have called for the heads of five directors. They got just one yesterday: Jeffrey Fowler, chairman. The other four should now resign. By clinging on they will put the company through the disruption of an extraordinary general meeting, requisitioned to remove them. Quite why they seem to be inviting such a damaging game of brinkmanship with a majority of CSG investors is baffling.

A labyrinthine offer from Michael Ashcroft for CSG last week included, as one of its conditions, that no further board changes were made, but the priority for shareholders has to be the appointment of directors in whom they have confidence. Only then can meaningful takeover negotiations take place.

On Digital

At last, On Digital, the terrestrial rival to British Sky Broadcasting's satellite pay-television service, has popped its head above the parapet. Superficially, this long-awaited first set of subscriber numbers might suggest Carlton and Granada's start-up is off to a flying start. After all, with 110,000 subscribers in its first four months, On Digital has beaten expectations and is keeping pace with BSkyB, which managed to garner just 10,000 more new customers. So does that mean BSkyB's brand, greater coverage and market position counts for little in the new digital world?

No, it does not. First, it is not clear how many of On Digital's subscribers are hard sales: about 5,000 were subsidised ones to staff. Are there many more? True, BSkyB probably has such soft sales too, but the discrepancy between On Digital's reported sales and figures from a reputable industry sales survey is curiously wide.

Second, the fact that On Digital is providing Sky channels gives it an automatic, virtually guaranteed market of some 3m homes that cannot receive either cable or satellite tv. If there is pent-up demand for premium sports programmes in just 20 per cent of these homes, On Digital should reach 600,000 subscribers in short order. On Digital has already proved it has a viable niche, but to move beyond that it needs better programming and sharper prices. Depending on dish-phobia is not enough.

NEWS DIGEST

MEDIA

Tempus considers demerging internet side

Tempus, the international media sales and communications group which includes Nike and Nintendo among its clients, is considering proposals to demerge Outrider, its internet marketing division. The business specialises in promoting the internet sites of its clients across all forms of media.

It produced operating profits of $1m on sales of $10m in 1998. Tempus believes that floating off the internet operation could add significant shareholder value, but it has yet to decide on the best way forward.

Tempus, which has 43 offices across 24 countries, yesterday announced 1998 pre-tax profits 40 per cent ahead at £13.2m ($21.3m) Sales rose 27 per cent to £1.23bn. The improvement was driven by its core business, CIA Medianetwork, which focuses on western Europe, North America and the Asia-Pacific market. Growth also came from MQI Mediahaus, which focuses on central and eastern Europe, and in which Tempus holds a 45 per cent stake.

Chris Ingram, chairman, believes much of 1999's growth is likely to come from the US. **Richard Rivlin**

BREWERIES

Swallow puts pubs up for sale

Swallow Group, formerly known as Vaux, yesterday put its entire estate of 664 tenanted pubs up for sale following the collapse of a management buy-out plan to save its two breweries.

Among potential buyers are Mansfield, which confirmed last week that it was interested in buying the Sheffield brewery and 150 or more tenanted pubs. But Paul Handley, finance director of Mansfield, said: "The whole ball game has changed – we have got to decide if we are still going to be interested." Analysts suggested other interested purchasers could include Pubmaster, Punch Taverns and Enterprise Inns.

Swallow is expecting a premium over the book value of £108m ($174m) because the estate will be unencumbered by any beer supply agreement. **David Blackwell**

ELECTRONICS

Bell may be valued at up to £75m

The three founders of Bell Group are likely to see their combined stakes valued at about £40m ($64m) when the supplier of electronic security systems joins the London stock market later this month.

Bell is likely to be valued at £55m-£75m. Patrick Curran, chief executive, is selling a third of his 40 per cent stake, a move likely to realise more than £6m cash, and leave him holding shares worth about £16m. The other two founders, Ken Howard, a non-executive director and Kevin Cormack, development director, will share about £18m. Both men are also selling a third of their holdings.

The company intends to raise £25m-£30m, £8m of which will be new money. In the past year, Bell has acquired companies in Sweden and Australia. It has also established offices in Switzerland and Hong Kong. **Christopher Price**

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BWI	6 mths to Jan 31	71.5	(41.4)	2.31	(3.03)	3.1	(4.6)	2	June 8	2‡	-	5‡
Cradley	6 mths to Dec 31	14.3	(13.6)	0.828♥	(0.784)	1.7	(1.6)	-	-	-	-	1.38
Dolphin Packaging	Yr to Dec 31	48.5	(44.7)	8.02	(7.03)	24.24	(21.31)	5.7	May 19	5.2	9	8.2
Laird	Yr to Dec 31	1,135	(1,058)	23.7♠	(67.1♠)	9.3	(36.2)	9.6	#	8.9	15	14.3
Policy Master ф	Yr to Dec 31	11.3	(8.2)	0.697	(0.436)	5.88†	(5.65)	1	May 25	-	1	-
Proudfoot	Yr to Dec 31	41.5	(45.1)	6.24	(5.53)	4.91	(4.17)	0.3	July 16	0.5	0.6	0.5
Salehurst	Yr to Jan 31	34.4	(31.7)	2.71	(2.41)	14.07†	(13.06)	3.3	June 14	3	5.5	5
Sentry Farming	Yr to Dec 31 ★	6.16	(8.32)	0.426L♥	(0.094)	4.6L	(0.9)	3	June 2	3	3	3
Silentnight	Yr to Jan 30 ★	236.1	(229.3)	16.3	(16.5)	24.33	(24.55)	8.3	June 9	8.2	12	11.5
Swallowfield	Yr to Dec 31	46.6	(49.7)	2.76L♠	(3.7)	27.4L	(21)	nil	-	4.7	2.2	6
Tempus	Yr to Dec 31 ★	1,226	(968.4)	13.2♠	(9.47)	10.77†	(9.38)	2.37	June 4	2.08	3.1	2.72
Yorkdyde	Yr to Jan 31	19	(22.3)	1.29L♠	(0.96)	6L	(6.3)	1	July 1	2.35	2.5	5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Advance UK	6 mths to Feb 28	115.39	(113.22)	0.228	(0.176)	0.46	(0.35)	-	-	-	-	1.25
Edinburgh Dragon	6 mths to Feb 28	57.58	(69.52)	0.393L	(0.169L)	0.17L	(0.07L)	-	-	-	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ‡Foreign income dividend. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. #Already paid. фAim stock. ★Comparatives restated.

هكذا من الأصل

TELECOM ITALIA'S SHAREHOLDER MEETING

Three good reasons to vote "No".

TO THE SHAREHOLDERS OF TELECOM ITALIA: THIS WEEKEND A SERIES OF ACTIONS WILL BE PROPOSED AT TELECOM ITALIA'S SHAREHOLDER MEETING WHICH ARE DESIGNED SOLELY TO OBSTRUCT OLIVETTI'S TENDER OFFER FOR YOUR COMPANY.

WE ENCOURAGE YOU TO VOTE AGAINST THESE PROPOSALS AND TO SUPPORT OLIVETTI'S OFFER WHICH WILL ALLOW YOUR COMPANY TO BENEFIT FROM OUR STRATEGY TO ENSURE ITS FUTURE DEVELOPMENT AND PROSPERITY.

OLIVETTI'S OFFER

Olivetti has announced its intention to increase its offer to Euro 11.50 (Lire 22,267) per Telecom Italia ordinary share. This represents a 58% premium to the Telecom Italia ordinary share price at the beginning of January 1999 (Euro 7.28).

Olivetti's offer is structured as follows:

- Euro 6.92 (Lire 13,399) equal to 60.2% in cash;
- Euro 2.90 (Lire 5,615) equal to 25.2% in five-year Tecnost bonds which will be listed and will pay an annual coupon of 1.5-2.0% over the 3-month Euribor rate; and
- Euro 1.68 (Lire 3,253) equal to 14.6% in shares of Tecnost, the company which would become the majority shareholder in Telecom Italia.

With regard to Telecom Italia's savings shares, Olivetti intends to propose and vote in favour of the following actions:

- the approval of a buy back programme for a number of savings shares equal to the maximum allowed by law, a commitment worth up to Euro 7.4 billion at a maximum buy back price per savings share of Euro 10.0
- the priority treatment of savings shareholders with the aim of distributing a total dividend of not less than the payment made in June 1998

By accepting the Olivetti offer, in addition to being guaranteed a significant premium over the market price, you will also be able to share, together with Olivetti, in the future success of Telecom Italia.

OLIVETTI'S TRACK RECORD

Olivetti has been widely acknowledged for its achievements since the end of 1996. The Olivetti management team has applied capital, energy and expertise in implementing a strategy that has delivered outstanding returns for its shareholders.

Olivetti is convinced that with your support it can repeat this success with Telecom Italia.

OLIVETTI'S STRATEGY

Telecom Italia must change to compete in the fast growing and rapidly evolving telecommunications market place. To succeed it needs a clear vision, a decisive action plan and a more entrepreneurial approach to the development of its business.

Olivetti's strategy for Telecom Italia has been presented to major Italian and International financial institutions. Twenty-five of the world's leading banks share the Olivetti vision for Telecom Italia and have backed our offer through a loan amounting to Euro 22.50 billion (Lire 43 trillion), the largest ever extended to a European company.

Olivetti's strategy is to enhance the competitiveness of Telecom Italia's fixed-line business. As part of this strategy, we will invest significant resources in new product and service developments in areas such as data transmission, the internet and e-commerce.

In addition, Olivetti's strategy is designed to maximise the potential of TIM, Telecom Italia's cellular subsidiary. TIM will be re-positioned as a major European player operating alongside Telecom Italia. Olivetti's industrial plan provides for significant investment in the latest cellular technologies and an accelerated integration of fixed-line and mobile service offerings, including the introduction of more competitive tariff structures. In contrast to Telecom Italia's stated plans, we propose to achieve our strategy without wasting precious financial resources on a restructuring of the company's capital structure which generates no business or strategic benefits. Instead, Olivetti proposes to maintain TIM as a strongly capitalised, majority controlled subsidiary and has committed to increasing the dividend pay-out ratio on TIM shares to 90% of net income.

For these reasons, Olivetti urges you to vote against the proposals submitted by the Telecom Italia Board to this weekend's shareholder meeting.

By voting "No", You will retain your right to choose.

olivetti

This Offer applies to all ordinary shareholders of Telecom Italia on equal terms. However, the offer cannot be extended to the United States nor to other countries where authorisations from competent bodies have not been obtained (see para. 1.6 of the Olivetti and Tecnost communique to Consob[the Italian Stock Exchange Commission], Borsa Italiana [the Milan Stock Exchange] and Telecom Italia dated 24 February 1999).

MANAGEMENT

INTERVIEW MICHEL BON, FRANCE TELECOM

Quiet man on the end of the line

Lucy Kellaway meets the self-deprecating figure at the helm of France's largest company

Michel Bon, chairman of France Telecom, likes to *think of himself as a kidney.*

This has nothing to do with the 55-year-old executive's physical shape, which is thin and bolt upright. The point of the metaphor is to demonstrate that he is not the most important person in his company.

"If you compare France Telecom to the human body," he says, his English fluent but his *accent heavy*, "let's say I am the kidney. You need a kidney, but you also need a liver, a stomach and so on. I do not go around saying that the kidney is more important than the liver. The customer is the head of the company. And the blood is the money."

Kidneys seldom give personal interviews. This is another likeness between Michel Bon and the vital organ. Although he has been running France's largest company for more than three years, he likes to keep himself in the background.

So why has he decided to break this habit now?

"*Unfortunately, we are living* in a time when you have to do some of that," he says, giving a broad smile that does not alter the impression that he is private and *slightly aloof.*

When Jacques Chirac, the French president, asked Mr Bon to take charge at France Telecom in 1995, the job did not look very attractive. He was the third chairman in three months, the *utility was about to lose its* monopoly and the workforce was scared and mutinous.

Since then, the company has been privatised, the market opened and the workforce mollified. The share price is twice what it was on flotation day.

Before meeting Mr Bon, I had gone to some lengths to find out about him. There is plenty about his CV, which is outlandish by French standards. He has hopped between the private and public sectors, doing some remarkably unglamorous jobs for someone of his elite education. But about the *man himself I discovered little.* He likes skiing. He never drinks, not even on his wedding day. He has four children – but his press office warned me that he does not like talking about his family.

The room where the interview takes place is five flights up and there is no lift. Mr Bon takes the stairs at speed and arrives not remotely out of breath, each of his grey hairs perfectly in place.

"When I see an opportunity for sport, I always take it. Climbing the stairs may be my only exercise of the day," he says cheerfully. He ignores the bottle of wine between us on the table and pours himself some water.

I *start by saying something* about his education (he is a graduate of the Ecole Nationale des Sciences Economiques et Commerciales and of Ecole Nationale de l'Administration) but he politely waves it aside. "It is a bad French habit to look only at the studies you did, and to count all that you have done afterwards as nothing."

So I ask about the wide range of things he has done since. He shrugs. "It shows how old I am."

'What I like most is meeting people. And listening. Always listening'

One of his oddest moves was quitting a blue-chip bank to join Carrefour, a supermarket group. "It was a change in culture for me. *It was full of self-made men* – which I was not."

Did they think their new elite boss was weird?

"No, because they did not even know there was an elite. In retail you have no relationship with government. You have a relationship with customers. And that's all."

By contrast, his establishment friends thought he had taken leave of his senses. "In France there was no prestige in retail."

After seven years he took the even more bizarre move of going into a backwater of the public sector to run the unemployment benefits office.

"I was well paid at Carrefour. I had stock options. I thought it was time to give something back. I had two ideas. One was to become a European Commissioner. I am deeply European."

A narrow escape, I suggest. He could have become Edith Cresson.

He laughs, and claims (like her) to have no regrets.

"I *am always glad of my choices.*" This might have sounded smug but the way he said it, it sounded more like a philosophical position.

I *ask what he makes of Mme* Cresson's disgrace.

"What Cresson is reproached for is not serious. Politicians in France have 100 letters every day from electors *asking for jobs* or favours. You have to deal with that. And that is exactly what Cresson did."

This forgiving attitude sounds odd. Particularly so since Mr Bon was the founder of a body in France designed to stamp out corruption in business. "Maybe she did not do it in a very skilled way," he adds lightly.

Of all his jobs, he says the most difficult and time-consuming is his present one.

"Changing corporate culture is the most important thing a *manager can do*," he says. "About 90 per cent of France Telecom workers are civil servants. The French image of civil servants is poor. Overpaid, lazy, unable to face the challenges of the 21st century. The transformation has been amazing. When I came in, we were closed on Saturday, closed at 5 o'clock at night. We organised an agreement with unions. In six months it was open everywhere."

What exactly did he do to persuade them?

"As for my skills," he says, spreading his hands. "They are not very important on this topic."

His PR man looks restless. "The difference with you is that you explain the strategy very simply to everyone," he volunteers.

Mr Bon shrugs. "Bouf! The strategy is very simple. We had 100 per cent of the market. Competition is coming, so we are losing market share. If the market is stable, we are not very happy. But if the market is growing, then we have enough to eat. So we must take advantage of competition to push the market up as quickly as possible."

I persist: but what does he *like* about the job? What is he *good* at?

"What I like most is meeting people. And listening. Always listening."

At times Mr Bon sounds so perfect as to be almost priggish. I wonder if he is religious, or driven by *what is morally right.*

"I am a Catholic," he says, "but not really religious. I wouldn't put this in a moral way. It is about efficiency: people spend so *much of their lives at work, so if* they can achieve something there it is better for them. Every human being is looking for a kind of achievement." *He stops,* and gives a self-deprecating laugh. "This is all obvious. *It is* not very original," he says.

Our brief meeting is coming to an end. An eager bunch of analysts is waiting for him downstairs. Does he regard these sessions as a chore?

"The analysts are all different. There is always one with a specific approach that makes you understand that you are not focusing enough on this point. I live with the idea that I can always learn something."

He stands up to leave, says goodbye and claims to be looking forward to reading the article. "One thing is for sure: I will learn something from it."

I laugh; he gives a courteous smile and descends the stairs at a trot.

Changing corporate culture: 'The customer is the head of the company', says Michel Bon. Ashley Ashwood

VICTOR MALLET
FILE FROM JOHANNESBURG

The routes of memory

Plans to change street names reflect the strains within society

Tzu-lu said: "If the Lord of Wei left the administration of his state to you, what would you put first?" The Master said: "If something has to be put first, it is, perhaps, the rectification of names." - The Analects of Confucius XIII.3

African rulers have always been eager rectifiers of names. After winning independence from the European powers in the 1960s and 1970s, new governments hastily renamed city streets, airports and even capital cities in an effort to erase the memory of colonialism.

Lourenço Marques, capital of Portuguese Mozambique, became Maputo, and the streets took on the such unfamiliar names of Mao Tse Tung and Karl Marx.

Rhodesia became Zimbabwe and its capital Salisbury metamorphosed into Harare: the city's wide avenues were renamed after African leaders – including Zimbabwe's own Robert Mugabe. Nelson Mandela, once prisoner and now *president of South Africa*, is remembered as an African hero on street signs across the continent.

South Africa presents a startling contrast to this post-liberation political correctness. It is five years since white minority rule *ended and Mr Mandela* came to power, but the drivers on the motorway from Johannesburg to Pretoria pass under a bridge marked as Hendrik Verwoerd Drive. Verwoerd was the founder of apartheid.

The name of the capital *Pretoria (after voortrekker* Andries Pretorius) is *unchanged, and the city still* has its Rhodes, Paul Kruger and Potgieter streets. Johannesburg keeps its Queen Elizabeth Bridge and King George and Harrison streets; and Cape Town has its Riebeek street – after Jan van Riebeeck, who founded the first European settlement for the Dutch East India Company in 1652.

There have been a few changes since South Africa's first non-racial election in 1994. Verwoerdburg, a suburb of Pretoria, now goes by the less controversial name of Centurion. The country's airports no longer honour white prime ministers: Jan Smuts is Johannesburg International and Cape Town has dropped D.F. Malan.

Place names containing "kaffir" – such as Pretoria's Kaffirboom St (Afrikaans for a type of tree) – have been changed because this Arabic-derived word for "non-believer" has been used as a racial insult against blacks. Sophiatown, the Johannesburg district renamed Triomf (Afrikaans for "triumph") after blacks were forcibly removed in the 1950s, *is Sophiatown again.*

A few heroes of the anti-apartheid struggle have been remembered in hospitals and schools. With provinces reorganised, the Transvaal has disappeared, *the Free State has lost its* "Orange" prefix, and two new names have appeared: Gauteng ("place of gold", the area around Johannesburg) and Mpumalanga ("land of the rising sun", in the east).

Pretoria even has a Nelson Mandela Drive. And AngloGold, the world's biggest gold mining company, has pleased many of its black workers and annoyed some of its white employees by africanising *the names of its mine shafts:* Freegold No 1, for example, has switched to Bambanani ("together we direct our future").

Even so, the changes to the country's maps in the five years since the white minority reluctantly agreed to democracy have been remarkably few. Most place names are still in Afrikaans or English, instead of Zulu, Xhosa, Tswana or Sotho.

That may be about to change. A dispute has been brewing in the port of Durban over proposals by the African National *Congress, the country's* ruling party, to replace portraits of "white fascists" in the city hall with those of anti-apartheid activists.

Just two months before the next general election on *June 2, the ANC has* suggested changing the names of Gardiner, Smith and West streets in the city centre to Chris Hani, Oliver Tambo and Nelson Mandela streets, after some of the ANC's best-known leaders.

Some opposition politicians were outraged, arguing that the ANC's local officials were violating the policy of racial reconciliation adopted by President Mandela and his cabinet. "It is simplistic and irresponsible to brand everything connected with the past as racist," said Renier Schoeman, a member of parliament for the New National Party.

Tony Leon, *of the liberal* Democratic Party, who grew up in Durban, admits that no one would be upset by the loss of the old names – they belong to 19th century British settlers and administrators. But it was insensitive, he said, to select names from the "ANC pantheon of heroes" without consultation.

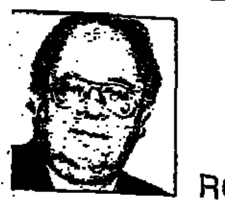
For it is not only white South Africans like Mr *Schoeman who are angry.* KwaZulu-Natal province, of which Durban is the capital, is not an ANC stronghold. Its inhabitants include Indians and Zulus who want their own chiefs, kings and political champions remembered if street names are to be changed.

Sipho Ngwenya, deputy mayor and member of the mainly Zulu Inkatha Freedom Party, bitterly *condemned the mayor for* proposing the changes. "Mr Obed Mlaba's actions are mean-spirited and will give offence to large numbers of Durban citizens," he said.

In addition, under a new law due to come into force after the election, a South African Geographical Names Council will have new *powers to change place* names across the country.

The council, says the government, "will have a tremendous responsibility to transform and rectify names" because "the total history of the country will have to be kept intact". South Africans, however, are far from agreeing on the *present*, let alone the historical record. As Mr Leon said: "We have a disputed past in this country."

RECRUITMENT



ROBERT TAYLOR

Work as a blessing

New Labour's concept of work as personal salvation marks a return to an old tradition

Why do we work or want to work? It is not a question that most people spend much or any of their time thinking about. But ever since Adam and Eve in the Garden of Eden, work has been regarded as "a sacred duty and the source of all human comforts, creating wealth and making civilisation possible" or so says Professor Keith Thomas in his perceptive introduction to an anthology of literature on work which has just been published.*

Work is certainly seen in today's New Labour Britain as personal salvation, the way out of poverty and welfare dependence. In the US under President Clinton, work is also encouraged as a necessary cure for idleness among the underclass. In both cases this represents a return to an old tradition.

Neither John Calvin nor Martin Luther are quoted in Prof Thomas's wide-ranging book, but the work ethic surely lies at the heart of western civilisation, not just capitalism. In the words of St Paul: "Those who do not work shall not eat." For Christians of all denominations work was perceived as a divine command, keeping people out of mischief. Of course, for most of the human race work has always meant "hard toil for small reward".

It has certainly involved degradation, exploitation and drudgery. Many Utopias – though not Sir Thomas More's – and Arcadias portrayed in literature have evoked a dream world of pleasure through idleness because work was seen as a "tedious necessity".

But as Prof Thomas's diverse and rich anthology makes clear, work has always had an important benevolent face as well. As he explains: in the past "Work was a cure for boredom and melancholy and a remedy for vice.

"It was the only sure route to human happiness, bringing health, contentment and personal fulfilment. It structured the day, gave opportunities for sociability and companionship, fostered pride in individual creativity and created a sense of personal identity."

As Irina explains in Chekhov's *Three Sisters*: "A man must work, toil in the sweat of his brow, whoever he may be for that is the meaning and object of his life, his happiness, his enthusiasm."

> **'Work was a cure for boredom and melancholy and a remedy for vice. It was considered the only sure route to human happiness'**

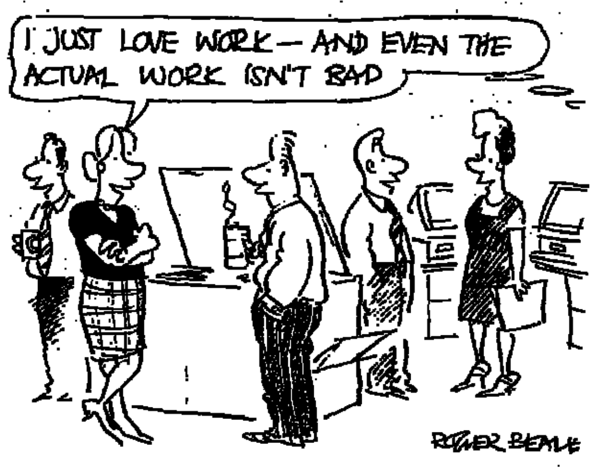
And this goes for domestic work carried out by women: "Eating, sleeping, cleaning – the years no longer rise up towards heaven, they lie spread out ahead, grey and identical. The battle against dust and dirt is never won," wrote Simone de Beauvoir in *The Second Sex* half a century ago.

On the other hand, for most people the workplace is a constant source of companionship. Nor is this confined to the rural ribaldry in Thomas Hardy's Wessex novels. "What is modern office life if not a matter of birthday cards, anniversaries and retirement parties, overheard telephone conversations and encounters at the photocopier?" asks Prof Thomas.

But of course there is necessary work for the many, but interesting work for only the few.

D.H. Lawrence wrote a poem entitled *Work* in 1929. "There is no point in work unless it absorbs you like an absorbing game. If it doesn't absorb you, if it's never any fun, don't do it." This has hardly been an option for most workers. Nor is it the kind of hedonism that would find favour with workfare chancellor Gordon Brown. He would share the view of Winston Churchill, leftwing president of the board of trade in 1909, who argued: "There is no reason why people should wander about in a loafing and idle manner; if they are not earning their living they ought to be put under some control."

Emile Zola wrote more sensitively than most novelists about manual work but his address to the Paris Students' Association in 1893 suggests that he, like other intellectuals, benefited from the stimulus of stress from work. Throughout his life, which he said was often desperate and miserable, work was the "one fortifier", "steady, settled work, the daily task, the self-imposed duty of making a forward step every day towards the accomplishment of one's allotted toil".



As Prof Thomas accepts, few who have written about manual work experienced much of it in their own lives. But then no coalminer has ever written as evocatively about working down a pit as George Orwell. It was Upton Sinclair who left us an abiding portrait of the horrors of the meat-packing yards of pre-Great War Chicago in *The Jungle* and John Steinbeck who immortalised the canning factories of Monterey in the 1940s. But it is Charles Dickens who wrote most perceptively about the world of work. It is no surprise to find he has more contributions (12) in Prof Thomas's anthology than any other writer.

The anthology does not encourage smugness about the inner virtues of work. As Prof Thomas argues: "Work has afforded mankind many satisfactions but it has also caused an incalculable quantity of unhappiness. Throughout human history most work has been too exhausting, too unhealthy and too poorly rewarded."

This anthology does not consist solely of novelists, poets and socialists. The great Henry Ford is quoted and he deserves his place there. As he said in his autobiography: "There will never be a system invented which will do away with the necessity of work... Work is our sanity, our self-respect, our salvation. So far from being a curse, work is the greatest blessing. Exact social justice flows only out of honest work." Amen.

**The Oxford Book of Work, edited by Keith Thomas, Oxford University Press, £20*

WORKING BRIEFS

Bonuses gain importance in rewards for NHS trust executives

The basic pay of chief executives of National Health Service trusts rose by an average 5.2 per cent in the 12 months to March 1998 to a median annual salary of £69,000. The rise in their total remuneration package of benefits and incentives was lower at 4 per cent and 4.6 per cent respectively, taking their median remuneration to £74,000 a year.

Bonuses are becoming an increasingly important ingredient in NHS trust executive pay. Two-fifths of executives are awarded one, with their value ranging between £1,000 and £16,000 a year.

IDS, 77 Bastwick Street, London EC1V 3TT.

Flexible pair

Laws to encourage greater use of part-time and temporary employment have been passed in the Netherlands and Greece as both countries seek to create more flexible labour markets to combat unemployment, according to the latest issue of European Industrial Relations Review.

In the Netherlands the new legislation seeks to regulate employment contracts, pay and benefits as well as procedures for dismissal of those defined as atypical workers, who make up 11.5 per cent of the total workforce. In Greece new flexible labour market regulations aim to stimulate local job pacts in areas of economic decline.

European Industrial Relations Review 302, March 1999, from Industrial Relations Services, 18-20 Highbury Place, London N5 1QP.

Agency increase

Growing numbers of UK workers are working for employment agencies on temporary contracts in occupations as varied as nursing, teaching, catering and entertainment. An estimated 16 per cent of all temporary employees are defined as agency workers.

This represents a threefold increase during this decade to between 270,000 (according to the official Labour Force Survey) and 900,000 (the estimate of the Federation of Recruitment and Employment Services). The Trades Union Congress, in an analysis of agency workers, says just over half are women, aged under 30, with nearly a quarter in full-time occupations.

BANKING FINANCE & GENERAL APPOINTMENTS

MARKETING DIRECTOR

Develop a career in financial services marketing with a major international investment house

AIB Govett Asset Management Limited, the London-based investment management arm of Allied Irish Banks, is recruiting a Marketing Director to provide a complete marketing service to its unit trust, investment trust and offshore fund businesses.

The candidate will:

- Have a thorough knowledge of financial services marketing, including public relations, brand management and market research
- be a strongly motivated self-starter and an excellent communicator
- have a good academic record and preferably an MBA or marketing qualification

In addition, a good knowledge of product development and business planning processes would be useful.

With associate companies AIB Investment Managers in Dublin and AIB Govett (Asia) Limited in Singapore, the Group manages or advises a comprehensive range of unit trusts, OEIC's, investment trusts, ISAs, pension funds, offshore funds and US mutual funds with a total value of £9 billion

If you have the experience and expertise that we require and are looking to develop your career, please write in confidence to:

Joanne Perry-Spinks
Human Resources Manager
AIB Govett Asset Management Ltd
Shackleton House,
4 Battle Bridge Lane,
London SE1 2HR

GOVETT

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Moody's France SA Paris

Structured Finance

ASSISTANT VICE-PRESIDENT ANALYST H/F

Moody's France, an international credit ratings agency has built a world wide reputation for its credit analysis.

Our Paris based group is looking for an Assistant Vice President - Analyst to analyse a variety of structured transactions and develop rating methodologies in this innovative market. Individual will write for Moody's publications, publish special comments and speak on aspects of Moody's ratings approaches at investor seminars and industry conferences. The successful candidate will interact with high profile investors and arrangers.

Requirements include a minimum of 2-3 years of on point Structured Finance or related credit experience. A four year college degree is required, graduate degree is preferred. Strong analytical skills are essential. Must possess excellent interpersonal and communication skills along with an understanding of deal structure and legal documentation in order to respond to client proposals. As part of an international team you will have to be fluent in French an English, Italian would be a plus and must be prepared to travel.

We offer an attractive compensation/benefits package commensurate with your talents and experience as well as progressive and challenging career opportunities.

Application should be made to Moody's France S.A., 4 rue Auber, 75009 PARIS, France. Email:bourginl@moodys.com.

LEHMAN BROTHERS

Research Analyst – European Equity Strategy London – City

Lehman Brothers is a global investment bank with leadership positions in corporate finance and advisory service, equity and fixed income sales trading and research. Lehman Brothers serves the financial needs of corporate, governmental, institutional and private clients through 39 offices in all major financial centres worldwide.

Our European Equity Research Department has a vacancy for an individual to work for the European Strategist producing research for the Firm's clients. The role involves the maintenance and development of existing market and sector level valuation models, the use of various databases for data collection and analysis, as well as contributions to specific research projects.

Suitable candidates will possess a strong academic background in either Economics or Finance theory, with well-developed quantitative skills, and an exposure to relevant software packages and databases. In addition, relevant experience must include some exposure to the analysis of equity market trends, either through academic research, or practical experience in an investment management or banking environment.

Interested candidates should write by Friday 16 April enclosing your CV, to Jackie Cubitt, Lehman Brothers, One Broadgate, London EC2M 7HA or email your application to jcubitt@lehman.com

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CORPORATE FINANCE ADVISORY EXECUTIVES

We are acting for the Corporate Advisory Division of an influential and prestigious international investment bank, which has an outstanding multi-national client list. Its name is synonymous with expertise, discretion and achievement and it holds a commanding position in both domestic and cross-border mergers and acquisitions.

The division is enjoying sustained growth, creating further demand for Executives. Applications are invited from individuals with relevant transaction experience in a recognised investment bank; from newly or recently qualified Chartered Accountants; from lawyers with relevant experience; from MBA's with a demonstrably relevant background; and from analysts completing a training programme with a major institution.

These positions are highly sought after and selection criteria will be demanding. Candidates must demonstrate impeccable academic credentials, a high level of numeracy, excellent interpersonal skills, and an international outlook. European language skills will also be advantageous.

Those interested are asked to send their curriculum vitae and covering letter to Philip Darling or Rachel Holland at Halsey Consulting, Prince Rupert House, 64 Queen Street, London EC4R 1AD.
E-mail: Halsey.Consulting@btinternet.com

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PROJECT ANALYSIS
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Recognised as a leading financial services agency, this City based business is actively involved in risk assessment of private funding for public sector projects. The role will provide primary input to the analysis of various UK and European public finance projects seeking long term funding in the bond market.

Working in a small specialist team responsibilities will include assessment of governmental support, asset strength, cash flow, construction risk, operating risk, contractor/consortium management, legal structures, rental and tenancy agreements, insurances, facilities management etc.

Candidates will be graduate project finance professionals experienced in PFI lending preferably across healthcare, housing or higher education. They will possess 1st class communications and inter-personal skills and a desire to develop their skills in an innovative and intellectually challenging environment.

Interested parties should write enclosing a full C.V. to Alex Steele.

A. STEELE ASSOCIATES
EXECUTIVE SEARCH AND SELECTION
SUITE 411, 15 AUSTIN FRIARS, LONDON EC2N 2JX
TEL: 0171-670 1691 FAX: 0171-670 1717

ACCOUNTANCY APPOINTMENTS

Daily Mail and General Trust plc
Assistant Tax Manager

Daily Mail and General Trust is one of the longest established and most successful media companies in the UK. The Group has interests around the world in national and regional newspapers, business publishing, television, radio, exhibitions and information publishing. The Group tax department is now seeking to recruit an Assistant Tax Manager reporting to the Group Treasurer.

London **£ Excellent + Benefits**

Specific responsibilities:

- Assist on structuring acquisitions and disposals.
- Managing annual tax computations for selected subsidiaries.
- Assist on year end tax provisions.
- Preview and maintain group deferred tax.
- Provide technical advice and support to group companies where necessary.

The ideal candidate will be a qualified Accountant with up to five years post qualified tax experience. You will be a motivated team player possessing initiative and ability to cover issues beyond pure tax.

The role offers excellent career prospects and is matched with a competitive salary and full company benefits.

If you are interested in the above opportunity, please contact David Reilly on 0171 269 2455 or send your CV to him at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6662. e-mail: davidreilly@michaelpage.com

Any applications sent directly to the Daily Mail and General Trust will be forwarded to Michael Page Taxation.

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Finance Manager
UK Operation Start Up

London, W1 **c £50,000 + Car + Excellent Benefits**

Our client is a substantial South African Proprietary Ltd group with a turnover in excess of £800 million and operations throughout the world. Following a period of extensive restructuring and change, the role of Finance Manager has been created to support senior management through its next stage of growth.

Reporting to the Corporate Controller overseas, you will be responsible for establishing a complete financial infrastructure for the UK and European operation.

Key responsibilities will include:

- Install financial controls and assist in upgrading systems (currently SAP R/2 but moving to SAP R/3).
- Preparation of monthly and year end reporting, including liaison with internal/external auditors.
- Recruitment of finance staff for UK and European regions.
- Working closely with the Regional Manager in setting budgets, sales forecasts and reporting performance to budget including profitability.
- Ensure the company complies with all statutory, corporate tax and VAT requirements.
- Provide a support function to the Regional Marketing Manager and work on additional projects.
- Involvement in strategy planning and periodic review and assessment of local operational performance.

This is a pivotal role that will require a qualified chartered accountant with a minimum of circa 2-4 years PQE gained preferably in an FMCG/airline industry. Candidates with exposure in other environments will also be considered. Exposure to UK/European Tax will be essential.

It is important that candidates have well developed communication skills along with the ability to influence others at all levels in the business. A professional, enthusiastic and proactive nature will be necessary to add value to this changing business and make an immediate impact.

Interested candidates should forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number to Jazz Dhanda at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax 0171 242 1020, quoting reference 501599.
e-mail: jazzdhanda@michaelpage.com

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FINANCE
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Finance Director

A leading role in a highly profitable UK subsidiary of an international services group

London **Package £100,000 + Options + Benefits**

Our client is one of Europe's leading and most profitable specialist service providers with a turnover in excess of £150m. This multi-site business has been through substantial organisational change and continues to grow both organically and by acquisition.

The appointment of a highly commercial Finance Director is an essential development within the business as the appointed candidate will take a proactive role in driving profits forward through the implementation of revenue enhancing and cost reducing initiatives. Reporting to the CEO key tasks will include:

- providing strong, focused and timely financial leadership;
- introducing change to financial management systems especially with regard to performance reporting;
- providing real clarity and insight from the mass of financial data which is available.

The appointee will be a graduate qualified accountant who has US GAAP experience and is seeking a financial directorship in a challenging and fast moving environment. This requires proven management skills, coupled to strategic thinking ability, and highly developed motivational and influencing skills. The individual must be a team player who has the stature and credibility to win respect from fellow board members in the UK and internationally.

Prospects for career development are excellent in this ambitious and highly profitable business.

Please send a full CV in confidence to GKR at the address below, quoting reference number 99049N on both letter and envelope, and including details of current remuneration.

GKR

Park House, 6 Killingbeck Drive,
Leeds LS14 6UF.
Tel: 0113 248 4848. Fax: 0113 248 4852.
E-mail: leeds@gkrgroup.com

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International Operational Review

Ref: GRP7911

HQ based - Slough circa £40,000 + benefits

Working closely with senior financial and operational managers, the successful candidates will be expected to rapidly assume a high degree of autonomy and responsibility for high profile assignments aimed at improving efficiency, control and enhancing profit.

Viewed as a source of high calibre senior finance and operational managers, this department has an excellent track record in training and preparing individuals for these roles. The current vacancies have arisen as a result of recent promotions from this highly visible team.

The successful candidates will be qualified ACA/CIMAs or equivalent with 2 years PQE, ideally from the Big 5, with commercial investigative experience, preferably within an international environment.

- Preference will be given to candidates with project review experience.
- Excellent communication skills in English are essential, as is IT proficiency.
- Fluency in a northern European language would be an advantage.
- You will be expected to travel extensively both within the UK and overseas.
- The ability to interact at all levels and to build relationships internally and externally is essential.
- You will be self-reliant, with high levels of drive and initiative.

Since our success is based on the people we employ, we acknowledge that your future is of vital importance to us and therefore we offer a career path specifically tailored to your individual strengths and ambitions. The remuneration package will be commensurate with experience, together with an excellent flexible benefits package and a car or car allowance.

These are exciting opportunities in a fast moving industry, which is focused on the future.

If you feel you have the qualities to work hard and influence people, are prepared to invest some time in building your career and would like to join this high profile team, please submit a comprehensive curriculum vitae, including details of your present salary to Juliana McLeish, ICL Recruitment, Forest Road, Feltham, TW13 7HZ

ICL

Challenging New Technology

هكذا من الاصل

Finance Director

£55K + Benefits **Herts**

This is an influential role with a powerful, *£50 million+ subsidiary of a world market leader.* Our client is a leader in the rail industry, with an impressive reputation for hi-tech solutions that regularly move the entire industry forward.

They are currently servicing long-term projects in Europe and Asia. In addition to providing financial support and information to these projects, your role will be to assess and develop financial strategies for international product development.

With a constant awareness of the full picture, you will also provide a business IT strategy to support the UK business, and to *ensure full Year 2000 compliance.* You will develop pricing strategies, manage financial information and establish best practice models regarding compliance issues, information delivery and overall professional accounting standards.

The international projects involved, the current rate of growth and the expansion plans for the future demand somebody with flexibility, vision and total commitment. A qualified accountant, you must come from a project-oriented background ideally from a global technical or engineering organisation. Your track record in financial management must be excellent.

In a business that is really going places, *you can make a long-term impact on their financial direction.* To apply for this role, please write with your full cv, quoting reference CS010 to our advising consultant, Joe Waterman, Park Human Resources, 3 Portland Place, London W1N 4HR. Closing date: Tuesday 20th April 1999.

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Manchester 0161 236 5889 Edinburgh 0131 313 1375

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Treasurer

Italian Speaker

International Financial Services

CITY **C £50K-£60K + BENEFITS**

Company Profile

- The UK arm of an investment house owned by a major European banking group. Its London base is expanding rapidly.
- The firm trades as a broker in a range of fixed income, treasury and derivative products.

Role

- Report to the General Manager with responsibility for two dealers.
- Identify, measure and manage all interest rate and currency risks.
- Recommend appropriate hedging strategies to deliver the firm's objectives.
- Develop cash flow and other financial models.
- Trade a range of interest rate products within prescribed limits.

Candidate

- Highly numerate with qualifications such as ACT and/or ACA.
- Experience of working within a treasury environment, either corporate or a bank.
- IT literate.
- Excellent communication skills, both oral and written.
- A team player and builder who is comfortable within a fast moving, international and meritocratic environment.

Please write in confidence, with full career and salary details, to Geoffrey Mather, MSL Search and Selection, 178-202 Great Portland Street, London W1N 6JJ. Email: pwilliams@msl.co.uk Alternatively, apply on-line via the Monster Board at http://www.monster.co.uk

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wanted for strategic manoeuvres in a financial revolution

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financial reporting accountants

Orange is one of the most dynamic and fastest growing companies in the UK. Today more than 2.3 million people subscribe to our wirefree services and the Orange network covers over 98% of the UK's population. Our enviable growth and an impressive reputation for innovation has led to opportunities for two talented finance professionals to join Orange's corporate head office, and this in turn offers you a cornerstone career opportunity.

Interacting with the UK and international operating companies, these key roles provide a focal point for maintaining the integrity of Orange plc accounts and developing group financial reporting. You will quickly establish an understanding of key requirements in order to maintain group statutory reporting systems and comply with tight reporting deadlines. You will need to ensure correct consolidation and reporting treatment of the group's subsidiary associate and joint venture businesses.

You must be a qualified ACA currently working within practice or with a maximum of 2 years' PQE in a relevant commercial environment and an understanding of UK and US GAAP. Equally important will be your ability to demonsrate strong interpersonal skills and to work within a fast moving corporate head office environment whilst utilising advanced modeling and IT skills.

An attractive salary and benefits package reflects the importance we attach to these roles. Additionally, opportunities for career development are extensive as the company continues to expand.

Should you wish to join a team of professionals aiming to stretch the traditional boundaries of the finance function, call our retained consultants Natasha Volkk or Robert Bowyer at Parker Bridge Financial Recruitment on 0171 464 1550. Alternatively, email your CV to natasha_volkk@parkerbridge.co.uk or send your CV to Parker Bridge Financial Recruitment, Marlborough Court, 14-18 Holborn, London EC1N 2LE quoting reference NV/41079. CVs sent directly to Orange will be forwarded to our retained consultants for consideration.

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RFU

Six figure salary package **Finance Director**

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The RFU now seek to appoint a Finance Director to be a key member of a new Management Team who will:

- Provide financial expertise and strong commercial support
- Act as a powerful agent for positive change
- Evolve robust control and reporting systems to deliver profitable, value added benefits
- Drive through efficiencies in strategic planning, budgeting and forecasting

Candidates will be qualified accountants with at least 10 years' senior financial management expertise gained in a fast moving, plc environment. Outstanding communication and influencing skills will be combined with strong personal presence and a proactive, hands-on approach to business.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley or James Concillia, Hoggett Bowers, 28 Essex Street, London WC2R 3AT, Tel: 0171 970 9600, Fax: 0171 936 3974, E-Mail: ems14@hoggett-bowers.co.uk quoting ref: LMH/2235/FT.

Hoggett Bowers | Executive Search and Selection

TWICKENHAM

The RFU is an equal opportunities employer.

Assistant Group Controller

West London **£50,000 package**

A recognised world leader in the provision of international business services with a profitable turnover of £180 m, this business is enjoying substantial growth in the UK and overseas. A recent restructuring, together with a programme of IT implementation has created this unique opportunity.

The Role:

- Monthly reporting, analysis and interpretation of management information, including implementation of a new consolidation system.
- Preparation of plans, budgets and forecasts to support the achievement of business objectives.
- Providing technical support to Group Financial Controller and assisting with ad-hoc projects and analysis.

The Candidate:

- Graduate, qualified ACA, probably seeking second role outside of the profession.
- Technical expertise combined with commercial acumen is essential, together with well developed IT skills and a flexible 'can do' attitude.
- Energetic, proactive and ambitious with a hands-on approach. Capable of communicating across the business at all levels.

Please write in confidence, with full career and current salary details, quoting reference SJW/1675FT

Tel: 0171 499 8811 Fax: 0171 670 3410
e-mail Ellis-jonesR@odgers.com

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London W1Y 7FL

ODGERS EXECUTIVE SELECTION — A DIVISION OF ODGERS INTERNATIONAL

FINANCIAL DIRECTOR

PRESTON, LANCASHIRE **TO £50,000 + CAR + BONUS**

Hallis Hudson Group Ltd, turnover £30million, is an entrepreneurially managed manufacturer and distributor of soft furnishing products to over 6,000 independent retailers and major National Accounts across the UK and abroad. Highly profitable, the business has a clear strategy to maximise further organic growth, backed by a focused acquisition policy, within a culture committed to continuous business improvement.

The Role

Reporting directly to the Managing Director, this role will be crucial, operating as a key member of a robust senior management team in enhancing growth and profitability over the long term.

The brief includes:

- Make a pro-active contribution to strategic and commercial decision-making processes.
- Develop management information systems which will facilitate business growth.
- Deliver first class financial reporting and control.
- Be a 'Champion' in managing and supporting a highly effective Finance function.

The Person

The successful candidate will need to be able to demonstrate significant commercial exposure at a senior level within 'core' profit centre environments in a manufacturing or distribution based business.

Key attributes required:

- An inspirational leader, with the confidence and stature to build credibility within the senior management team.
- A strategic thinker, with real commercial talent.
- Hands-on approach, energetic and results driven.
- Leads by example, a natural coach and mentor.

Please send full CV and salary details in confidence to Martin Morgan at Morgan Mackie, Prospect House, 14 Ashfield Road, Chorley, Lancashire PR7 1LH. Tel: 01257 234970; Fax: 01257 273696; E-mail: info@morgan-mackie.demon.co.uk

MORGAN MACKIE
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Investment Banking - Treasury Accountant

Young Qualified ACA/CCA/CMA **To £55,000 + Bonus + Benefits**

We are representing one of the largest banks in Europe and one of the top 20 banks world-wide. Our client has an enviable reputation, a commanding international presence and an extensive product range.

Their continued development and increasing business demands have led to a need to recruit a Treasury Accountant to work as part of the Treasury and Fixed Income Network Management team.

The role is essentially to provide transparency and clarity, incorporating interpretation and analysis, of the Treasury businesses in London, Amsterdam, Chicago and Singapore thus enabling effective management decision making.

Specifically, the role will include:

- Review and commentary upon the monthly management accounts.
- Monthly provision of full year cost forecasts, comparisons and analysis.
- Preparation of the annual budget.
- Review and interpretation of reported daily revenues, monitoring the business activities of each location.

The requirement is for an ambitious qualified accountant with strong PC skills. You should have already gained at least two years post-qualified experience in a similar environment and, as the role requires extensive personal liaison across the business, a confident and personable nature is essential.

There is excellent potential for career advancement both within the team and wider organisation.

Please send your CV to Andrew Fisher at Parkwell Management Consultants Ltd., 8 Wilfred Street, Westminster SW1E 6PL Fax: 0171 233 5205 Email: parkwell@compuserve.com or call for more information Tel: 0171 630 8000

PARKWELL

IT Appointments

EQUITIES

ECB rate cut takes markets by surprise

EUROPEAN OVERVIEW

By Khozem Merchant

Euro-zone markets closed slightly up after a day when attention was focused on an event due to take place after the traders had gone home. That was the announcement by the European Central Bank of its decision on interest rates.

When it came, the ECB's 50 basis point cut took most people by surprise. Few had forecast such a large cut. Earlier in the day, the UK, the main euro-out, had cut interest rates by 25 basis points.

When markets open today the ECB rate cut is expected to benefit domestically focused, rate-sensitive stocks such as leisure and retail.

Euro-zone markets started the day firmer on a strong overnight close by Wall Street. Activity was quiet, with modest corporate news to distract attention.

Later, consumer cyclicals and retailers led the way in the expectation of a modest easing of monetary policy.

The FTSE Eurotop 300 index of Europe's leading stocks rose 0.37 points or 0.03 per cent to 1,284.57. The FTSE Ebloc index of shares in euro-zone countries gained 0.88 or 0.03 per cent to 2,987.07.

The strongest performing sector was personal care and household products, which climbed 4.56 per cent, driven by L'Oréal. The French beauty products company was one of a few big movers, closing 6.29 per cent higher on the back of encouraging first-quarter sales figures. Its share price closed up €37.5 at €651 after improved sales in US; Europe as well as emerging markets.

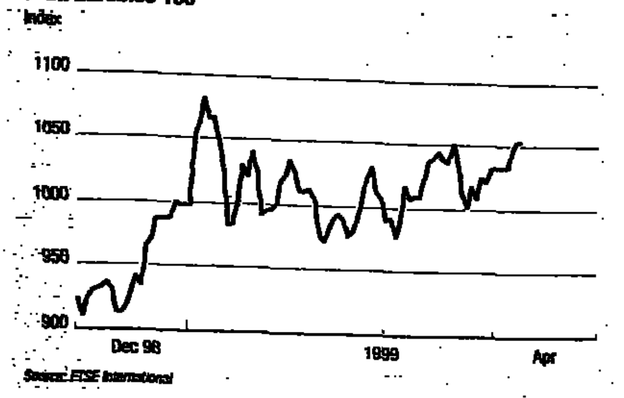
Another sector moving in anticipation of an interest rate cut was leisure, entertainment and hotels, which rose 3.38 per cent. Mining also improved, up 2.01 per cent.

Paribas, Société Générale and BNP, which are involved in a complex three-way merger battle, shed a little ground after Warburg, an investment bank, downgraded its rating for the French trio from "buy" to "accumulate".

Warburg said there was unlikely to be any significant advance in the contest until June. BNP lost €5.60 to €72.60, while SocGen shed €13.50 to €166.90.

Among sectors that lost ground were aerospace and defence, which fell 2.11 per cent, and water, which continued a disappointing week, losing 3.83 per cent.

FTSE Eurobloc 100



Source: FTSE International

THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.205	97.210	+0.010	97.430	97.195	96242	199033
Sep	97.255	97.260	+0.010	97.420	97.240	77838	215833
Dec	97.070	97.060	-	97.250	97.045	14309	113353
Mar	97.190	97.175	-0.005	97.250	97.150	23140	99592

THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.205	97.210	+0.010	97.205	97.200	205	109889
Sep	-	97.260	+0.010	-	-	0	92917
Dec	97.080	97.060	-	97.080	97.045	45	83198
Mar	-	97.175	-0.005	-	-	0	83914

THREE MONTH EURO OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97125	0.130	-	-	-	0.050	-	-	-
97250	0.055	0.120	0.105	0.165	0.120	0.130	0.315	0.255
97375	0.030	-	-	-	0.210	-	-	-
97500	0.010	0.045	0.045	0.080	0.315	0.305	0.505	0.420

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 162364 Puts 96447

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2988.0	2992.0	-	2989.0	2977.0	193	5646

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P
Apr	[illegible]															
May	[illegible]															

Est. vol. total [illegible]. Prev day's open interest [illegible]. Premiums shown are based on settlement prices.

OTHER INDICES

	Apr 8	Apr 7	Apr 6	1999 High	1999 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3672.49	3655.38	3630.34	3672.49	3250.29	3670.82	2433.67
DJ Euro Stx 50	3609.21	3659.41	3544.76	3685.36	[illegible]	3685.36	2416.23
MSCI Europe	-	1256.25	1250.77	1258.62	[illegible]	1215.55	510.78

Source: Financial Times Information. *Subject to revision [illegible]

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Apr 08 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1284.57	+0.03	+0.37	1.80	5.01	1328.11
FTSE Eurotop 100	2987.07	+0.03	+0.88	1.89	11.53	1075.15
FTSE Eurobloc 100	1052.57	+0.11	+1.13	1.82	1.39	1089.90
FTSE EuroMid	1245.09	+0.65	+8.09	2.75	6.86	1297.46
FTSE EuroMid Eurobloc	1215.69	+0.44	+5.27	2.52	4.11	1245.68
FTSE EuroMid ex UK	1272.30	+0.62	+7.86	2.34	3.78	1299.82
FTSE Eurotop 300 Regions						
Eurobloc	1313.63	+0.11	+1.41	1.88	2.89	1343.96
UK	1250.80	-0.52	-6.53	2.17	10.21	1324.63
Europe Ex-Eurobloc	1285.03	-0.05	-0.64	1.35	7.94	1319.97
Europe Ex-UK	1304.40	+0.34	+4.46	1.76	2.10	1331.04
FTSE Eurotop Industry Sectors						
RESOURCES	1066.34	-0.69	-7.01	2.77	3.89	1066.84
Mining	984.75	+2.01	+19.41	3.48	21.37	1030.29
Oil & Gas	989.35	-0.80	-7.84	2.74	2.82	986.24
BASIC INDUSTRIES	1133.34	+0.25	+2.82	2.54	6.85	1160.86
Chemicals	889.34	-0.04	-0.37	2.48	2.93	978.65
Construction & Bld Matls	1092.72	+0.67	+7.85	2.22	3.06	1075.26
Forestry & Paper	940.80	+1.03	+9.52	4.11	38.88	1023.55
GENERAL INDUSTRIALS	1182.17	+0.67	+7.87	2.31	5.80	1213.37
Aerospace & Defence	786.45	-2.11	-16.98	2.11	3.94	800.20
Diversified Industrials	995.61	+0.21	+2.06	2.04	0.00	1018.28
Electronic & Elect Equip	1101.31	+1.49	+16.15	1.71	9.86	1117.99
Engineering & Machinery	1089.36	+1.07	+11.50	4.02	5.83	1110.76
CYCLICAL CONS GOODS	1305.98	+1.09	+14.06	2.30	0.60	1342.54
Automobiles	956.21	+1.13	+10.72	2.38	0.63	984.61
Household Goods & Texts	1386.01	+0.89	+12.21	2.05	0.00	1397.84
NON-CYC CONS GOODS	1233.13	-0.35	-4.35	1.46	5.81	1278.27
Beverages	923.60	+0.15	+1.36	2.45	10.32	954.07
Food Producers & Process	882.93	+0.57	+0.59	1.77	1.41	892.64
Health	1072.73	-0.04	-0.42	1.00	0.00	1086.77
Packaging	783.35	+0.11	+0.90	1.15	0.00	784.33
Personal Care & Hse Prods	1163.93	+4.56	+51.01	0.86	1.94	1182.01
Pharmaceuticals	1153.35	-1.00	-11.72	1.19	6.22	1171.08
Tobacco	1253.49	-2.28	-30.18	3.38	26.75	1344.25
CYCLICAL SERVICES	1338.45	+0.63	+8.41	1.83	4.75	1382.63
Distributors	811.32	+0.30	+1.63	1.53	0.00	816.19
General Retailers	1111.25	+1.26	+13.82	1.88	3.04	1137.43
Leisure Entertmt & Hotels	1011.52	+2.38	+23.46	1.89	8.72	1034.20
Media & Photography	1252.60	+2.74	+9.21	1.68	6.39	1270.53
Rests, Pubs & Breweries	345.76	-0.53	-4.48	2.75	3.71	874.37
Support Services	1075.25	-0.17	-1.81	1.21	1.10	1087.76
Transport	973.13	-0.34	-3.30	2.31	5.18	996.28
NON-CYCLICAL SERVS	1423.01	+0.42	+5.91	1.15	0.48	1465.19
Food & Drug Retailers	1279.67	-0.10	-1.13	1.72	0.51	1097.00
Telecommunications Servs	1413.52	-0.52	-7.35	1.05	0.43	1435.05
UTILITIES	1379.77	-0.88	-12.20	2.88	6.20	1403.54
Electricity	1056.31	-0.81	-8.53	3.05	5.57	1095.60
Gas Distribution	1153.44	-3.63	-7.29	1.43	1.00	1271.02
Water	832.40	-3.83	-33.15	3.35	5.94	877.19
FINANCIALS	1377.30	-0.09	-1.22	2.08	6.69	1421.91
Banks	991.35	-0.21	-2.13	2.39	6.58	1012.75
Insurance	1012.43	-0.43	-4.12	1.32	1.78	1026.43
Life Assurance	1129.17	-0.27	-3.11	1.72	4.55	1149.08
Investment Companies	1024.67	-0.36	[illegible]	2.24	0.00	1339.01
Real Estate	721.54	-0.22	-1.47	2.87	1.67	752.35
Speciality & Other Fin	1023.15	-0.32	-3.34	2.21	2.94	1043.25
INFORMATION TECH	1302.72	-0.05	-0.54	0.83	4.42	1009.95
Information Tech Hardware	1125.85	+0.12	+1.38	0.91	6.24	1130.58
Software & Computer Serv	728.75	-0.69	-5.05	0.54	0.15	730.53

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.0582	-0.1030	322 - 842	38.1780	37.5850	38.2090	-4.8	38.4629	-4.3	39.6035	-4.1
Denmark	(DKr)	7.4317	+0.0010	282 - 352	7.4352	7.4282	7.4341	-0.4	7.4390	-0.3	7.4551	-0.3
Greece	(Dr)	324.538	-0.2400	288 - 787	324.800	324.090	326.2705	-6.4	328.7003	-5.4	342.8030	-5.6
Hungary	(Forint)	253.299	-0.5580	144 - 454	254.016	252.250	256.0504	-13.0	261.3655	-12.7	283.9079	-12.1
Norway	(NKr)	8.4245	+0.0603	197 - 293	8.4293	8.3690	8.4529	-4.0	8.5006	-3.6	8.6525	-2.7
Poland	(Zloty)	4.2970	+0.0029	943 - 997	4.3014	4.2899	-	-	-	-	-	-
Romania	(Leu)	15655.16	+0.9400	976 - 056	-	-	-	-	-	-	-	-
Russia	(Rouble)	28.2768	+0.5203	632 - 903	28.3903	27.9916	-	-	-	-	-	-
Slovakia	(Koruna)	44.7932	-0.1300	383 - 480	45.0810	42.3274	-	-	-	-	-	-
Sweden	(SKr)	8.9608	+0.0204	537 - 679	8.9679	8.9371	8.9613	-0.1	8.9612	0.0	8.9745	-0.2
Switzerland	(SFr)	1.5946	-0.0013	937 - 954	1.5973	1.5934	1.5923	1.7	1.5877	1.7	1.5702	1.5
UK	(£)	0.6726	-0.0041	723 - 729	0.6750	0.6712	0.6740	-2.5	0.6765	-2.3	0.6881	-2.3
Americas												
Argentina	(Peso)	1.0833	+0.0038	830 - 835	1.0859	1.0764	-	-	-	-	-	-
Brazil	(R$)	1.8662	-0.0016	631 - 692	1.8735	1.8571	-	-	-	-	-	-
Canada	(C$)	1.6228	+0.0033	219 - 238	1.6250	1.6129	1.6252	-1.8	1.6302	-1.8	1.6529	-1.9
Mexico	(New Peso)	10.2652	+0.0101	579 - 725	10.2982	10.1954	10.4302	-19.3	10.7375	-18.4	12.3853	-20.7
USA	($)	1.0834	+0.0038	832 - 836	1.0861	1.0766	1.0852	-2.0	1.0890	-2.1	1.1083	-2.3
Pacific/Middle East/Africa												
Australia	(A$)	1.7360	+0.0147	340 - 380	1.7375	1.7179	1.7377	-1.9	1.7432	-1.8	1.7689	-2.0
Hong Kong	(HK$)	8.3940	+0.0284	922 - 958	8.4016	8.3458	8.4116	-2.5	8.4474	-2.5	8.7102	-3.8
India	(Rs)	46.2179	+0.1351	039 - 318	46.3493	45.9008	46.4942	-7.2	47.1700	-8.2	50.7712	-8.9
Indonesia	(Rupiah)	9466.22	+73.6800	384 - 859	9455.50	9420.50	9688.45	-28.2	10152.22	-29.0	12011.28	-26.9
Israel	(Shk)	4.3726	+0.0132	671 - 780	4.3881	4.3430	-	-	-	-	-	-
Japan	(Y)	131.016	+0.2550	937 - 094	131.100	130.200	130.7160	2.7	130.1042	2.8	127.4814	2.7
Malaysia	(M$)	4.1169	+0.0144	452 - 471	4.1266	4.0913	-	-	-	-	-	-
New Zealand	(NZ$)	2.0421	+0.0099	407 - 434	2.0437	2.0273	2.0449	-1.6	2.0504	-1.6	2.0819	-1.9
Philippines	(Peso)	41.7434	+0.1787	732 - 136	42.0103	41.3199	42.0583	-9.1	42.6703	-8.9	45.5579	-9.1
Saudi Arabia	(SR)	4.0633	+0.0143	623 - 643	4.0734	4.0378	4.0732	-2.9	4.0966	-3.3	4.2093	-3.6
Singapore	(S$)	1.8740	+0.0022	731 - 749	1.8750	1.8697	1.8721	1.2	1.8688	1.1	1.8663	0.4
South Africa	(R)	6.7369	+0.0676	315 - 422	6.7565	6.6921	6.7995	-11.2	6.9228	-11.0	7.4431	-10.5
South Korea	(Won)	1325.54	+5.7300	475 - 633	1329.71	1324.75	-	-	-	-	-	-
Taiwan	(T$)	35.8844	+0.1151	734 - 953	35.9690	35.6720	36.0211	-4.6	36.2604	-4.2	37.3021	-4.0
Thailand	(Bt)	40.9526	+0.2031	908 - 143	41.0143	40.6939	41.0436	-2.7	41.2786	-3.2	42.6419	-4.1
UAE	(Dirham)	3.9793	+0.0149	784 - 802	3.9802	3.9340	3.9868	-2.3	4.0023	-2.3	4.0838	-2.6

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

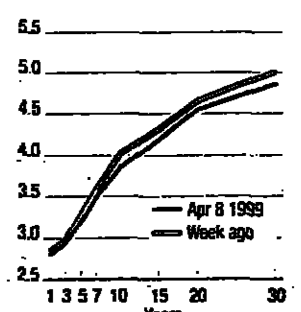
BONDS

INTEREST RATE SWAPS

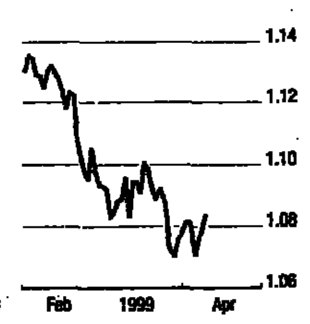
Apr 08	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.77	2.80	5.22	5.25	1.28	1.32	5.18	5.21	0.22	0.25
2 year	2.87	2.91	5.23	5.27	1.58	1.64	5.34	5.37	0.33	0.36
3 year	3.03	3.07	5.32	5.35	1.81	1.89	5.48	5.49	0.53	0.56
4 year	3.20	3.24	5.31	5.34	2.03	2.11	5.52	5.55	0.74	0.77
5 year	3.38	3.42	5.30	5.33	2.23	2.31	5.59	5.62	0.97	1.00
6 year	3.57	3.61	5.27	5.31	2.43	2.51	5.65	5.68	1.20	1.23
7 year	3.75	3.79	5.25	5.29	2.62	2.70	5.70	5.73	1.41	1.44
8 year	3.91	3.95	5.25	5.29	2.79	2.87	5.75	5.78	1.60	1.63
9 year	4.06	4.10	5.25	5.29	2.95	3.03	5.79	5.82	1.75	1.78
10 year	4.17	4.21	5.26	5.29	3.10	3.18	5.83	5.86	1.88	1.91
12 year	4.33	4.37	5.25	5.30	3.35	3.43	5.92	5.95	2.12	2.15
15 year	4.53	4.57	5.27	5.32	3.58	3.66	6.02	6.05	2.35	2.38
20 year	4.75	4.78	5.27	5.32	3.84	3.94	6.12	6.15	2.55	2.59
25 year	4.87	4.91	5.26	5.33	3.96	4.04	6.13	6.16	2.62	2.66
30 year	4.92	4.96	5.27	5.34	4.04	4.14	6.13	6.16	2.69	2.73

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 month Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Apr 08	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
SOVEREIGNS								
UK	01/01	4.250	AAA	102.674	2.70	+0.01	-0.54	-0.17
Denmark	01/02	4.750	AA+	104.105	3.15	+0.01	-0.21	+0.19
Sweden	02/01	5.000	AA+	103.450	3.02	+0.01	-0.24	+0.15
Greece	11/08	6.750	BBB	115.504	4.30	+0.00	-0.28	+0.79
SUPRANATIONALS								
ADB	10/07	5.500	AAA	109.238	4.19	+0.01	-0.33	+0.55
EIB	04/08	5.000	AAA	106.598	4.05	+0.00	-0.21	+0.30
Eurofima	12/09	5.625	AAA	110.325	4.39	+0.01	-0.32	+0.51
World Bank	04/05	7.125	AAA	118.202	3.69	+0.01	-0.23	+0.32
UTILITIES								
EDF	10/03	3.750	n/a	102.084	3.25	+0.00	-0.27	+0.16
TEPCO	02/03	4.750	AA	103.933	3.64	+0.01	-0.17	+0.55
Quebec Hydro	03/08	5.375	A+	106.438	4.48	+0.00	-0.33	+0.72
Norsk Hydro	10/99	7.250	A	101.775	3.35	-0.01	-0.25	+0.57
FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	108.285	4.38	+0.01	-0.28	+0.44
OKB	09/07	5.750	AAA	111.670	4.08	+0.01	-0.23	+0.44
Credit Local	04/08	5.250	AA+	107.225	4.27	+0.04	-0.32	+0.51
Abbey Natl	01/09	5.000	AA-	102.529	4.67	+0.01	-0.27	+0.79
INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.483	3.22	+0.01	-0.27	+0.35
McDonalds	03/08	5.125	AA	105.112	4.29	+0.00	-0.27	+0.53
Philip Morris	06/08	5.625	A	105.008	4.93	+0.00	-0.20	+1.17
BAT Int Fin	07/06	5.375	A-	104.057	4.70	+0.01	-0.31	+1.19
PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.939	3.11	+0.00	-0.22	+0.24
Eurohypo AS	01/04	5.000	n/a	106.594	3.47	+0.00	-0.22	+0.24
Bayer Vereins	01/06	6.000	n/a	112.663	3.84	-0.02	-0.21	+0.33
Depfa	07/08	4.750	n/a	104.076	4.21	-0.02	-0.16	+0.45
HIGH YIELD								
Gebeni	04/07	10.125	B+	115.000	6.14	+0.16	-0.08	+2.50
Colt Telecom	11/07	8.875	n/a	107.229	7.71	-0.15	-0.16	+4.07
Impress Metal	05/07	9.875	B	111.250	7.22	+0.08	-0.21	+3.58
Remy Cointreau	07/05	10.000	B+	106.250	8.63	-0.25	-1.85	+5.32

Standard & Poor's ratings. Source: Interactive Data/FT Information

FTSE EUROTOP 300

(Columns: Price (Euro) · Chge +/- · Mkt cap Euro(bn) · Yld (%) · P/E)

AEROSPACE & DEFENCE [illegible]

AUTOMOBILES [illegible]

BANKS [illegible]

BEVERAGES [illegible]

CHEMICALS [illegible]

CONSTRUCTION & BUILDING [illegible]

DISTRIBUTORS [illegible]

DIVERSIFIED INDUSTRIALS [illegible]

ELECTRICITY [illegible]

ELECTRONIC & ELECTRICAL EQUIPT [illegible]

ENGINEERING & MACHINERY [illegible]

FOOD & DRUG RETAILERS [illegible]

FOOD PRODUCERS & PROCESSORS [illegible]

FORESTRY & PAPER [illegible]

GAS DISTRIBUTION [illegible]

GENERAL RETAILERS [illegible]

HEALTH [illegible]

HOUSEHOLD & TEXTILES [illegible]

I.T. HARDWARE [illegible]

INSURANCE [illegible]

INVESTMENT COMPANIES [illegible]

LEISURE ENTERTAINMENT & HOTELS [illegible]

LIFE ASSURANCE [illegible]

MEDIA & PHOTOGRAPHY [illegible]

MINING [illegible]

OIL & GAS [illegible]

PACKAGING [illegible]

PERSONAL & HOUSEHOLD PRODUCTS [illegible]

PHARMACEUTICALS [illegible]

REAL ESTATE [illegible]

RESTAURANTS PUBS & BREWERIES [illegible]

SOFTWARE & COMPUTER SERVICES [illegible]

SPECIALITY & OTHER FINANCE [illegible]

SUPPORT SERVICES [illegible]

TELECOMMUNICATION SERVICES [illegible]

TOBACCO [illegible]

TRANSPORT [illegible]

WATER [illegible]

[illegible notes]

Surprise ECB rate cut spurs European rally

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

European bond markets rallied yesterday following a surprise decision by the European Central Bank to cut interest rate by as much as 50 basis points to 2.5 per cent.

The market was prepared for a cut of 25 basis points but few expected a cut of 50 basis points, observers said.

The yield on the two-year German bund fell by 16 basis points to 2.68 per cent, leading to a steepening of the yield curve. The 10-year bund also fell by 13 basis points. The 10-year bund future leapt almost a point higher to 115.95.

Wim Duisenberg, president of the ECB, said: "We wanted the move to be as convincing as possible because we were afraid that a smaller move would only have led to further expectations for the future, that this would be only the first step."

Some observers said the size of the cut indicated this could be the last easing by the European Central Bank.

The September three-month interest rate future traded on the London International Futures and Options Exchange rose from 97.26 to 97.40, indicating, however, that the market was not prepared to price in another 25 basis point cut by September.

"It almost seems that the ECB's message is that it had done as much as it could by using monetary measures and the ball is now in the court of the politicians," said David Knott at the Deutsche Bank.

Ifty Islam at Deutsche Bank said the move was clearly designed to stimulate economic growth in Europe but he added that if the ECB reached its goal and managed to kick-start European growth, the yield curve could steepen further as the yield on the 10-year bonds would start rising.

Meanwhile, the 10-year euro swap spread tightened slightly to 37 basis points.

In contrast to the euro-zone bond markets, the UK gilts market weakened after the Bank of England cut the base rate by 25 basis points to 5.25 per cent.

The 10-year gilt future fell 0.12 to 117.87 as traders speculated this could be the last cut in the rate cycle. Phyllis Reed at Barclays Capital said the market's lukewarm reaction to the cut could also be explained by fact that in contrast with its previous practice, the Bank of England did not issue a statement explaining its reasons for lowering the rate.

The Bank said the minutes of the monetary policy committee would be published in two weeks. Observers suspected there could have been serious disagreement between the members of the monetary policy committee.

US Treasuries rallied in mid-day trading on the news of the European rate cuts, sending the long bond below the important 5.5 per cent yield level.

By early afternoon the 30-year bond, the benchmark for long-term interest rates, had gained $1\frac{1}{32}$ at $97\frac{5}{16}$, sending the yield lower to 5.432 per cent.

Short-term issues also got a boost, with the 10-year note up $\frac{11}{16}$ to $97\frac{7}{8}$, yielding 5.031 per cent and the two-year note up $\frac{1}{8}$ at $100\frac{1}{16}$, yielding 4.841 per cent. Little fresh economic news was available yesterday, but investors await the release today of new figures on producer prices.

Hungary resurrects $500m offering

NEW ISSUES

By Khozem Merchant

Hungary yesterday launched a $500m global bond, two weeks after the original launch was postponed because of the Kosovo crisis.

The seven-year bond was set to launch the day after Kosovo was attacked by Nato.

The bond will be priced today at an indicative spread of 145 basis points over the relevant treasury.

Bankers said the re-launch demonstrated how Hungarian credit has "differentiated itself, first, from the fall-out of the Russian default and now from the Kosovo crisis".

The bond is designed to introduce the borrower to a global customer base "at a time when its economy is on the upswing", bankers said, and allows investors to benefit from the convergence of Hungarian spreads as the country approaches membership of euro-zone.

Hungary has set the pace among emerging eastern European issuers. In February it was the first sovereign borrower rated below single A to issue in euros, a €500m 10-year note. It was priced at issue to yield 86 basis points over the bund, widened by 10 basis points after Nato's action in Kosovo, and has now tightened.

NTL, the UK-based telecoms group, kept up the recent resumption of high-yield bond issuance with a £330m note that was largely bought by US investors. NTL's 10-year paper follows the launch of several high-yield bonds last week, signalling a pick-up in a market badly hit by the Russian crisis.

Bankers said technical conditions in the market had begun to improve since last November and by January the secondary market had regained its strength, though issuers were still reluctant to follow suit.

NTL's bond was priced at a yield spread of 533 basis points over the relevant UK gilt and traded at a premium. There are another three high-yield bonds in the market.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
LBW Capital Markets plc	500	5.875	99.568R	Apr 2009	0.325R	+72(4¾Nov08)	ABN Amro/Nomura
JFM	500	6.00	99.967R	May 2009	0.325R	+81(4¾Nov08)	Deutsche/Goldman Sachs
World Bank	500	5.50	99.874R	Apr 2006	0.30R	+45(4¾Feb04)	Nomura International
Westpac Banking Corp	500	5.75	99.529R	Apr 2004	0.275R	+78(4¾Feb04)	JP Morgan/Warburg DR
Republic of Hungary	500	(a)‡	(a)R	Apr 2006	0.35R	+145(Feb06)	ABN Amro/Salomon SB
Deutsche Bank Finance(b)	300	5.75	99.877R	Apr 2004	0.25R	+70(4¾Feb04)	Deutsche Bank
Banco Itau	150	10.50#	99.815	Apr 2000	0.50	-	ABN Amro
Windemere Corporation‡	50	(c)	100.00	Apr 2002	0.15	-	Chase Manhattan Intl
EUROS							
Bank Austria(e)	500	3.50	99.955R	Apr 2004	0.25R	+36(3½Nov03)	Barclays Capital
Republic of Argentina	450	9.00	98.45R	Apr 2006	0.75R	-	CSFB/Deutsche
Bremer Landesbank‡	125	(d)	100.05	Apr 2000	0.05	-	Paribas
STERLING							
NTL Communications Crp(g)	330	(g1)#	62.11	Apr 2009	undisc	+525(9Oct08)	Goldman/Morgan Stanley

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) $300m launched 22/3/99 was increased to $600m. c) 6-mth Libor +21bp. d) 6-mth Euribor -4bp. e) Spread relates to German govt bonds. g) Callable from 15/4/04 at 104⅞% falling to par. g1) zero to 15/4/04, then 9¾%.

Turkey pledges capital market reforms

By Leyla Boulton in Ankara

In a move to encourage more investors to differentiate among emerging markets in its favour, Turkey is promising to deliver important reforms of its capital markets after its general election on April 18.

The legislation, which has the backing of most of the country's six main political parties, would boost protection for small investors and minority shareholders. It would also fill legal "holes" in the Board's ability to police market abuses.

Finally, it would give the Board power to authorise the opening of new markets, which Muhsin Mengütürk, chairman of the Capital Markets Board, Turkey's main market regulator, is keen to promote. In an interview yesterday, he said that at least four were in preparation, pending enactment of the new legislation:

- The Istanbul Stock Exchange (IMKB), the only one in the country, is to be converted into a Turkey-wide exchange, by adopting different listing requirements in order to open the way for smaller regional companies to go public. It is also developing the necessary software for a nation-wide computer network that would enable investors anywhere in the country to enter orders through a local brokerage. Meanwhile, technical preparations for a separate index futures market are near completion.
- A Privately-run Futures and Options Exchange, in partnership with the Chicago Board of Trade, is ready to start up in the western city of Izmir by trading a cotton-based futures contract.
- The Istanbul Gold Exchange has just begun developing a currency futures contract.

Mr Mengütürk also wants to see the establishment of an interest rate futures contract "because the other main risk in emerging markets, apart from currency risk, is interest rate risk".

The fact that Turkey will have had three governments since it last held elections in 1995 has complicated efforts to secure parliamentary time to pass the capital markets law earlier.

But last year's emerging markets crisis, which tarred all developing countries with the same brush, has helped drive home, even to Turkey's fractious politicians, the importance of removing domestic handicaps to the growth of the country's capital markets.

The biggest obstacle to the development of markets and foreign investor confidence is Turkey's high inflation. Wholesale price inflation fell to 48 per cent last month from 86 per cent the same time last year. Government borrowing has crowded out other borrowers from the domestic debt market, while political instability has driven market volatility.

Emre Timurkan, head of international capital markets at Körfezbank, a middle-size Turkish commercial bank, says that in the present environment, "there's no way that anyone would dare write an interest rate option any further ahead than a week".

Mr Timurkan shares widely-held market expectations that the election will deliver real change. The International Monetary Fund has promised Ankara financial support if the post-election government implements a comprehensive anti-inflation strategy, the parameters of which have already been agreed.

Mr Mengütürk agrees with the need for structural reform to underpin the institutional changes he has in mind. For instance, he is keen that foreign investors, who own half the free float of the Istanbul stock exchange, should be balanced by a domestic institutional investor base, which does not yet exist.

The total portfolio value of domestic collective investment institutions in Turkey including the insurance industry was 1.2 per cent of Gross Domestic Product at the end of 1997, compared to 5 per cent in Latin America and 57 per cent in South Korea.

Mr Mengütürk would also like to see tax incentives from the government to stimulate long-term investment, as well as to encourage more companies to list on the stock exchange.

The Capital Markets Board estimates that market capitalisation would triple in dollar terms if the 375 or so of the country's 500 biggest companies which are not listed on the Istanbul Stock Exchange were to offer 25 per cent of their capital to the public.

Freeport downgraded

By Sander Thoenes in Jakarta

Standard & Poor's, the rating agency, yesterday downgraded Freeport McMoRan Copper & Gold, the US mining company, to reflect the increasing political instability in Indonesia.

The agency lowered Freeport's corporate credit rating from B- to CCC+, equal to its sovereign credit rating for Indonesia. New on its list of concerns were growing separatist sentiments in Irian Jaya, the province where Freeport operates its giant Grasberg mine.

S&P reiterated concern that Freeport's close ties with former president Suharto could leave it vulnerable to tax increases or political retribution later this year, when parliamentary and presidential elections may well bring opposition leaders to power.

The downgrading came despite government approval last month for expansion of Grasberg's production to 300,000 tons of ore per day, ignoring claims by tribal leaders in Irian Jaya that expansion would worsen the environmental impact of the mine's tailings.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 8	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.7062	4.71	+0.01	-0.13	-0.41	-0.19
	08/08	8.750	125.1519	5.30	-	-0.13	-0.39	-0.24
Austria	03/01	5.250	104.3000	2.81	+0.02	+0.02	-0.28	-1.23
	01/08	5.000	107.1900	4.01	-	-0.14	-0.23	-0.92
[illegible]								

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.71	-0.13	95.92	95.54	27,737	78,896
Sep	-	95.53	-0.13	-	-	-	-

[illegible]

US CORPORATE BONDS

Apr 7	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	104.7609	5.60	+0.01	-0.20	+5.60
NY Tel	08/25	7.00	A+	99.6157	7.03	-	-0.09	+1.52
CWE	05/08	8.00	BBB	113.1878	6.08	-	-0.24	+0.95
[illegible]								

INTERNATIONAL BONDS

Apr 8	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
$								
EIB	04/07	7.250	AAA	109.0953	5.80	-0.03	-0.10	+0.73
ABN Amro	06/07	7.125	AA-	104.7321	6.36	-0.02	+0.01	+1.29
Quebec	01/07	7.000	A+	105.9514	6.03	-0.03	+0.01	+0.98
[illegible]								

US INTEREST RATES

[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

UK BONDS

FTSE Actuaries Government Securities

UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Euro gyrates after ECB slashes rates

MARKETS REPORT

By Alan Beattie

The euro swung wildly in the aftermath of the European Central Bank's unexpected decision to cut 50 basis points off euro-zone repo rates yesterday.

The cut, which took place after the end of the London trading session, caused the euro to rise by half a cent before plunging down below the $1.08 level. Earlier it had finished London trading at $1.083.

Analysts said that with markets so thin, little could be inferred from the euro's immediate moves. "It looks as if US traders were just testing out the levels," one said.

Earlier in the day, sterling firmed after the Bank of England also cut interest rates, in this case as the market expected.

Once again the pro-growth effects of a reduction in interest rates seemed to outweigh lower yield in the minds of the currency markets, driving the pound higher.

Having started the London trading session around the $1.60 level, the pound rose over a cent to close at $1.611. Against the euro it also closed higher, at £0.673.

The Bank of England's 25 basis point cut was no great surprise to traders, who had priced such a move into the money markets. Trading in sterling after the announcement was therefore somewhat muted, with a few smallish stops triggered around $1.6070 giving the move up some momentum.

■ The Bank of England made no statement along with the decision, leading some in the market to speculate that there had been a split vote. The lack of explanation also left open the question of whether this was the last cut for some time.

The short sterling market clearly viewed the cut as reducing rather than increasing the likelihood of more cuts in the next two years. Prices fell by up to 11 basis points across the strip, with particularly pronounced falls around the middle of 2000.

"The high probability of a split means that this may well have been the bottom of the interest rate cycle," said Peter Osler, head of research at GNI in London. "At the very least it is a slowdown in the easing process, and there are not many in the market who now expect rates to go below 5 per cent," he said.

Mr Osler said that while the market had discounted the move, there was some puzzlement over the monetary policy committee's motives.

"With oil prices higher than the last time they met and sterling at exactly the same level on a trade-weighted basis, it is hard to justify the move on economic grounds," he said.

The recovery in sterling disappointed those who thought that the break down below $1.60 earlier this week presaged an escape from the $1.60-$1.70 range in which the pound has traded for almost all of the past two years.

"When cable broke down towards $1.58, cable option volatilities at the short end rose above euro-sterling volatilities," said Paul Meggyesi, currency strategist at Deutsche Bank in London.

"There was some interest in this, with some in the market believing that the long-awaited decoupling of sterling from the dollar had arrived," he added. But the recovery above $1.60 saw short-term sterling-dollar volatilities drop back down, he added.

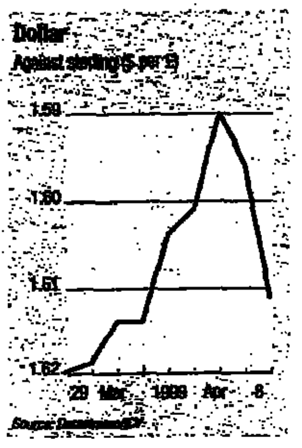
Traders said that the fall below $1.59 earlier in the week now appeared to be the result of a large sale of sterling going through rather than a change in market sentiment.

■ Traders spent the rest of the day waiting to see if the European Central Bank would follow the MPC's lead and cut interest rates for the euro-zone.

But unlike sterling, which has repeatedly weakened ahead of an expected cut over the past six months, the euro firmed against the dollar in the run up to the ECB's decision yesterday before falling in its immediate aftermath.

This seemed to give credence to those who argued that a cut in euro-zone interest rates would not necessarily induce the "sell on the rumour, buy on the fact" currency boosts which other recent cuts have produced.

Dollar
Against sterling (per £)



■ POUND IN NEW YORK

Apr 8	—Latest—	—Prev. close—
£ spot	1.6070	1.5955
1 mth	1.6065	1.5950
3 mth	1.6050	1.5944
1 yr	1.6067	1.5982

■ OTHER CURRENCIES

Apr 8	£	$
Czech Rp	56.5392 - 56.6272	35.1110 - 35.1460
Hungary	376.327 - 376.880	233.700 - 233.900
Iran	4833.80 - 4830.90	3000.00 - 3000.00
Kuwait	0.4916 - 0.4921	0.3053 - 0.3054
Peru	5.4203 - 5.4265	3.3660 - 3.3690
Poland	6.3840 - 6.3932	3.9645 - 3.9680
Russia	41.6578 - 42.2134	26.0000 - 26.2000
U.A.E.	5.9143 - 5.9181	3.6728 - 3.6751

POUND SPOT FORWARD AGAINST THE POUND

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.4592	+0.1222	487 - 677	20.4720	20.3619	20.4169	2.4	20.3338	2.3	19.9578	2.2	102.6
Belgium*	(BFr)	59.9758	+0.3588	477 - 034	60.0150	59.7510	59.8646	2.4	59.6281	2.3	58.5064	2.2	102.1
Denmark	(DKr)	11.0461	+0.0676	426 - 564	11.0543	11.0028	11.0303	2.0	10.9943	2.0	10.8345	1.9	105.4
Finland*	(FM)	9.8398	+0.0528	357 - 439	9.8460	9.8070	9.822	2.4	9.7887	2.3	9.641	2.2	80.9
France*	(FFr)	9.7525	+0.0583	470 - 570	9.7580	9.7151	9.7328	2.4	9.696	2.3	9.5331	2.2	105.4
Germany*	(DM)	2.9079	+0.0174	055 - 092	2.9103	2.8953	2.9021	2.4	2.891	2.3	2.8425	2.2	103.1
Greece	(Dr)	482.306	+2.5188	552 - 059	482.825	481.109	484.106	-4.5	487.343	-4.0	498.188	-3.3	62.0
Ireland*	(I£)	1.1710	+0.0071	704 - 715	1.1717	1.1668	1.1686	2.4	1.1642	2.3	1.1445	2.2	92.8
Italy*	(L)	2878.78	+17.2200	742 - 009	2880.70	2868.01	2872.95	2.4	2862.08	2.3	2814	2.2	75.2
Luxembourg*	(LFr)	59.9758	+0.3588	477 - 034	60.0150	59.7510	59.8646	2.4	59.6281	2.3	58.5064	2.2	102.1
Netherlands*	(Fl)	3.2764	+0.0196	749 - 779	3.2787	3.2641	3.2698	2.4	3.2575	2.3	3.2027	2.2	101.4
Norway	(NKr)	12.5252	+0.1640	169 - 335	12.5494	12.3882	12.542	-1.6	12.565	-1.3	12.5747	-0.4	94.0
Portugal*	(Es)	298.066	+1.7826	825 - 306	298.265	296.982	297.467	2.4	296.341	2.3	291.382	2.2	91.7
Spain*	(Pta)	247.375	+1.4780	280 - 469	247.550	246.450	246.876	2.4	245.942	2.3	241.81	2.2	76.5
Sweden	(SKr)	13.3225	+0.1056	107 - 343	13.3632	13.2001	13.2984	2.4	13.2459	2.3	13.0437	2.1	81.7
Switzerland	(SFr)	2.3707	+0.0122	692 - 722	2.3732	2.3547	2.3625	4.1	2.3468	4.0	2.2818	3.7	107.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.6
Euro	(€)	1.4868	+0.0089	861 - 874	1.4877	1.4812	1.4838	2.4	1.4781	2.3	1.4533	2.2	-
SDR†	-	1.178800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6105	+0.0152	100 - 110	1.6113	1.5959	-	-	-	-	-	-	-
Brazil	(R$)	2.7745	+0.0142	697 - 793	2.7793	2.7699	-	-	-	-	-	-	-
Canada	(C$)	2.4126	+0.0192	111 - 141	2.4144	2.3916	2.4114	0.6	2.4095	0.5	2.4021	0.4	78.6
Mexico	(New Peso)	15.2619	+0.1062	495 - 742	15.2742	15.1116	15.476	-16.8	15.8717	-16.0	17.9995	-17.9	-
USA	($)	1.6108	+0.0153	105 - 112	1.6115	1.5959	1.6103	0.4	1.6098	0.3	1.6107	0.0	108.5
Pacific/Middle East/Africa													
Australia	(A$)	2.5795	+0.0371	777 - 812	2.5812	2.5430	2.5784	0.5	2.5765	0.4	2.5736	0.3	80.7
Hong Kong	(HK$)	12.4799	+0.1167	760 - 837	12.4880	12.3683	12.4808	-0.1	12.4865	-0.2	12.6598	-1.4	-
India	(Rs)	68.7146	+0.6167	873 - 418	68.7418	68.2229	68.9881	-4.7	69.724	-5.9	73.7862	-7.4	-
Indonesia	(Rupiah)	14073.95	+183.05	161 - 629	14159.10	13924.10	14373.31	-25.7	15005.42	-25.5	17456.1	-24.0	-
Israel	(Shk)	6.5009	+0.0583	922 - 096	6.5099	6.5009	-	-	-	-	-	-	-
Japan	(Y)	194.786	+1.5410	563 - 623	195.020	193.110	193.858	5.1	192.313	5.1	185.239	4.9	128.5
Malaysia‡	(M$)	6.1208	+0.0581	169 - 247	6.1225	6.0547	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0550	+0.0327	512 - 587	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	92.5
Philippines	(Peso)	62.0623	+0.6354	083 - 162	62.3212	61.8494	62.4944	-8.6	63.0728	-8.5	66.2087	-6.7	-
Saudi Arabia	(SR)	6.0411	+0.0572	390 - 431	[illegible]	[illegible]	[illegible]	-0.5	[illegible]	-1.0	[illegible]	-1.3	-
Singapore	(S$)	2.7861	+0.0198	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Africa	(R)	10.0161	+0.1358	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Korea	(Won)	1970.75	+28.2500	940 - 211	1972.11	1956.71	-	-	-	-	-	-	-
Taiwan	(T$)	53.3513	+0.4891	299 - 726	53.3726	52.8786	53.4467	-2.1	53.5987	-1.9	54.2174	-1.6	-
Thailand	(Bt)	60.8864	+0.6642	885 - 839	60.8840	55.9380	60.8987	-0.2	61.8156	-0.8	63.9719	-1.8	-

† Rates for Apr 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.7011	-0.0447	987 - 034	12.7813	12.6765	12.6796	2.0	12.6357	2.1	12.4158	2.2	102.2
Belgium*	(BFr)	37.2346	-0.1310	277 - 414	37.4700	37.1630	37.1716	2.0	37.0431	2.1	36.398	2.2	102.2
Denmark	(DKr)	6.8596	-0.0232	576 - 616	6.9031	6.8470	6.8502	1.6	6.8301	1.7	6.7266	1.9	104.5
Finland*	(FM)	5.4880	-0.0194	870 - 890	5.5227	5.4774	5.4788	2.0	5.4598	2.1	5.3648	2.2	80.2
France*	(FFr)	6.0546	-0.0214	535 - 557	6.0929	6.0429	6.0444	2.0	6.0234	2.1	5.9185	2.2	104.8
Germany*	(DM)	1.8053	-0.0064	049 - 056	1.8167	1.8018	1.8022	2.0	1.796	2.0	1.7647	2.2	102.8
Greece	(Dr)	299.555	-1.2850	380 - 730	301.760	298.990	300.645	-4.4	302.755	-4.3	309.305	-3.3	61.7
Ireland*	(I£)	1.3757	+0.0048	754 - 759	1.3783	1.3678	1.378	-2.0	1.3828	-2.1	1.4073	-2.3	-
Italy*	(L)	1787.22	-6.2900	689 - 755	1798.50	1783.76	1784.19	2.0	1778.03	2.1	1747.07	2.2	74.9
Luxembourg*	(LFr)	37.2346	-0.1310	277 - 414	37.4700	37.1630	37.1716	2.0	37.0431	2.1	36.398	2.2	102.2
Netherlands*	(Fl)	2.0341	-0.0072	337 - 344	2.0469	2.0301	2.0307	2.0	2.0236	2.1	1.9884	2.2	101.4
Norway	(NKr)	7.7760	+0.0285	730 - 790	7.8050	7.7425	7.789	-2.0	7.8058	-1.5	7.807	-0.4	93.8
Portugal*	(Es)	185.049	-0.6510	015 - 083	186.220	184.690	184.786	2.0	184.097	2.1	180.892	2.2	92.1
Spain*	(Pta)	153.578	-0.5400	549 - 606	154.550	153.280	153.318	2.0	152.788	2.1	150.128	2.2	78.0
Sweden	(SKr)	8.2710	-0.0102	660 - 760	8.3041	8.2599	8.2575	2.0	8.2288	2.0	8.0975	2.1	81.4
Switzerland	(SFr)	1.4718	-0.0064	713 - 723	1.4835	1.4680	1.4672	3.8	1.4579	3.8	1.4167	3.7	106.8
UK	(£)	1.6108	+0.0153	103 - 112	1.6115	1.5959	1.6103	0.4	1.6098	0.3	1.6107	0.0	101.5
Euro	(€)	1.0834	+0.0038	832 - 836	1.0861	1.0766	1.0852	-2.0	1.089	-2.1	1.1083	-2.3	-
SDR†	-	0.73810	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.7225	-0.0075	200 - 250	1.7250	1.7200	-	-	-	-	-	-	-
Canada	(C$)	1.4978	-0.0023	973 - 983	1.4992	1.4973	1.4976	0.2	1.497	0.2	1.4913	0.4	78.5
Mexico	(New Peso)	9.4750	-0.0240	700 - 800	9.4800	9.4700	9.611	-17.2	9.88	-18.3	11.175	-17.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.1
Pacific/Middle East/Africa													
Australia	(A$)	1.6014	+0.0079	008 - 021	1.6054	1.5941	1.601	0.3	1.6005	0.2	1.5989	0.1	81.5
Hong Kong	(HK$)	7.7479	-0.0009	476 - 481	7.7491	7.7473	7.7509	-0.5	7.7571	-0.5	7.8581	-1.4	-
India	(Rs)	42.6600	-0.0250	550 - 650	42.6750	42.6350	42.8425	-5.1	43.315	-6.1	45.81	-7.4	-
Indonesia	(Rupiah)	8737.50	+37.5000	000 - 500	8775.00	8695.00	8927.5	-26.1	9322.5	-26.8	10837.5	-24.0	-
Israel	(Shk)	4.0360	-0.0029	317 - 402	4.0402	4.0317	-	-	-	-	-	-	-
Japan	(Y)	120.930	-0.1900	880 - 980	121.570	120.390	120.45	4.8	119.47	4.8	115.01	4.9	130.2
Malaysia‡	(M$)	3.8000	-	500 - 500	3.8000	3.7998	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8946	+0.0024	839 - 857	1.8995	1.8815	1.883	1.1	1.8813	0.8	1.8817	0.2	-
Philippines	(Peso)	38.5300	+0.0300	800 - 800	38.6800	38.3800	38.755	-7.8	39.183	-6.8	41.106	-6.7	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7533	-0.9	3.762	-1.2	3.798	-1.3	-
Singapore	(S$)	1.7297	-0.0041	292 - 302	1.7365	1.7290	1.7251	3.2	1.7162	3.1	1.6839	2.6	-
South Africa	(R)	6.2183	+0.0408	145 - 220	6.2315	6.1900	6.2658	-9.1	6.3571	-8.9	6.7158	-8.0	-
South Korea	(Won)	1223.50	+1.0000	300 - 400	1224.30	1223.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.1220	-0.0100	180 - 260	33.1260	33.1000	33.192	-2.5	33.297	-2.1	33.657	-1.6	-
Thailand	(Bt)	37.8000	+0.0550	500 - 590	37.8600	37.6500	37.82	-0.6	37.905	-1.1	38.475	-1.8	-

‡ SDR rate per $ for Apr 7. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 4.75 MYR/USD, a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Apr 7. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.42	16.26	4.848	1.952	4800	5.463	20.88	497.0	412.5	22.21	3.953	1.667	4.023	2.686	324.8	2.479
Denmark	(DKr)	54.28	10	8.826	2.632	1.060	2605	2.965	11.34	269.8	223.9	12.06	2.146	0.905	2.184	1.458	176.3	1.346
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.84	305.6	253.7	13.66	2.431	1.025	2.474	1.652	199.7	1.525
Germany*	(DM)	20.63	3.800	3.354	1	0.403	990.0	1.127	4.307	102.5	85.07	4.582	0.815	0.344	0.830	0.554	66.99	0.511
Ireland*	(I£)	51.22	9.435	8.329	2.483	1	2459	2.798	10.70	254.6	211.3	11.38	2.025	0.854	2.061	1.376	166.4	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.435	10.35	8.593	0.463	0.082	0.035	0.084	0.056	6.766	0.052
Netherlands*	(Fl)	18.31	3.372	2.977	0.888	0.357	878.6	1	3.823	90.97	75.50	4.066	0.724	0.305	0.736	0.492	59.45	0.454
Norway	(NKr)	47.88	8.822	7.786	2.322	0.935	2298	2.616	10	238.0	197.5	10.64	1.893	0.798	1.926	1.286	155.5	1.187
Portugal*	(Es)	20.12	3.707	3.272	0.976	0.393	965.8	1.099	4.202	100	82.98	4.470	0.795	0.336	0.809	0.540	65.35	0.499
Spain*	(Pta)	24.24	4.467	3.942	1.175	0.473	1164	1.324	5.063	120.5	100	5.386	0.958	0.404	0.975	0.651	78.74	0.601
Sweden	(SKr)	45.02	8.294	7.320	2.183	0.879	2161	2.459	9.402	223.7	185.7	10	1.779	0.751	1.811	1.209	146.2	1.116
Switzerland	(SFr)	25.30	4.661	4.114	1.227	0.494	1214	1.382	5.283	125.7	104.3	5.620	1	0.422	1.018	0.679	82.16	0.627
UK	(£)	59.98	11.05	9.753	2.908	1.171	2879	3.276	12.53	298.1	247.4	13.32	2.371	1	2.413	1.611	194.8	1.487
Canada	(C$)	24.86	4.580	4.042	1.205	0.485	1193	1.358	5.192	123.5	102.5	5.522	0.983	0.414	1	0.668	80.74	0.616
USA	($)	37.23	6.860	6.055	1.805	0.727	1787	2.034	7.776	185.0	153.6	8.271	1.472	0.621	1.498	1	120.9	0.923
Japan	(Y)	30.79	5.672	5.007	1.493	0.601	1478	1.682	6.430	153.0	127.0	6.840	1.217	0.513	1.239	0.827	100	0.763
Euro	(€)	40.34	7.432	6.560	1.956	0.788	1936	2.204	8.425	200.5	166.4	8.961	1.595	0.673	1.623	1.083	131.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5621	0.5563	-0.0002	0.5573	0.5521	8,106	33,234
Sep	0.5557	-	-	-	-	4	1,251
Dec	0.5570	-	-	-	-	-	140

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8345	0.8347	-0.0013	0.8382	0.8294	11,679	83,589
Sep	0.8451	-	-	-	-	-	1,749
Dec	0.8500	-	-	-	-	-	1,454

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6885	0.6848	+0.0010	0.6862	0.6830	10,538	59,786
Sep	0.6917	0.6917	+0.0015	0.6917	0.6917	4	344
Dec	0.6915	-	-	-	-	-	6

■ STERLING FUTURES (CME) $62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6276	1.6100	+0.0198	1.6088	1.5946	13,631	[illegible]
Sep	1.6060	1.6070	+0.0164	1.6020	1.6180	30	[illegible]
Dec	1.6046	[illegible]	[illegible]	-	-	-	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ UK clearing bank base lending rate 5¼ per cent from Apr 8, 1999

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
94750	0.195	0.280	0.265	0.030	0.105	0.320
94875	0.110			0.070		
95000	0.060	0.135	0.160	0.145	0.210	0.465
95125	0.030			0.240		
95250	0.010	0.060	0.090	0.345	0.365	0.645
95375	0.005			0.465		

Est. vol. total, Calls 17200 Puts 20077. Previous day's open int., Calls 432806 Puts 469643

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (¢ per DM)

[illegible]

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	94.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	94.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.25	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.50	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.50		
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.50	NatWestminster	5.25		
The Co-operative Bank	5.50	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.25		

● Members of London Investment Banking Association

WORLD INTEREST RATES

MONEY RATES

Apr 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	2⅝	2⅝	2⅝	2¾	2¾	-	2.50	3.00
Switzerland	1⅛	1⅛	1⅛	1¼	1⅜	-	1.00	-
US	4⅞	4⅞	4⅞	5⅛	5⅛	-	4.50	-
Japan	⅛	¼	⅛	⅛	⅛	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	4⅞	5	5⅛	5⅜	-	-	-
US Dollar CDs	-	4.75	4.77	4.82	4.94	-	-	-
Euro Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
BBA Euro Libor	-	2⅞	2⅞	2⅞	2⅞	-	-	-
Euro Euribor	-	2.927	2.895	2.879	2.899	-	-	-
EONIA	3.11	-	-	-	-	-	-	-
EURONIA	3.1289	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 8	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3⅛ - 3⅛	3 - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞
Danish Krone	3⅞ - 3⅞	3½ - 3¼	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜
Sterling	5½ - 5¼	5⅜ - 5⅜	5⅜ - 5⅜	5⅜ - 5⅜	5¼ - 5⅛	5¼ - 5⅛
Swiss Franc	1½ - 1	1¼ - 1⅛	1⅛ - 1⅛	1¼ - 1⅛	1⅛ - 1⅛	1⅛ - 1⅛
Canadian Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4¾ - 4⅝	4¾ - 4⅞	4⅞ - 4⅞
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 5	5⅛ - 5⅛
Japanese Yen	⅛ - ⅛	⅛ - ⅛	⅛ -	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛
Asian $Sing	1 - ¾	1¾ - 1½	1¾ - 1½	2 - 1½	2¼ - 1¾	2½ - 2¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.195	97.205	+0.005	97.215	97.190	6,547	41,003
Sep	97.250	97.255	+0.005	97.270	97.235	3,002	31,013

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.205	97.210	+0.010	97.430	97.195	96242	195033
Sep	97.255	97.260	+0.010	97.420	97.240	77830	215833
Dec	97.070	97.060	-	97.250	97.045	14309	113353
Mar	97.180	97.175	-0.005	97.350	97.150	23140	89592

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

[illegible]

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

[illegible]

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

[illegible]

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

[illegible]

COMMODITIES & AGRICULTURE

PULP PICK-UP IN ASIAN DEMAND DRIVES PRICE RISE

Södra to lift benchmark by $20

By Nicholas George in Stockholm

Södra, the world's largest producer of long-fibre market pulp, said it would raise the price of its benchmark pulp to at least $500 a tonne on May 1 from $480, the second rise this year.

Other leading Nordic pulp producers are also considering increasing their prices with a pick-up in demand in Asia seen as the main factor driving the upturn.

The price of the benchmark Northern Softwood Bleached Kraft was raised to $480 in March after having languished at a four-year low since last October.

Södra's move appears to confirm that paper producers are now prepared to accept higher prices following the failure of pulp producers to push through rises last autumn.

Helge Eklund, Södra chief executive, said $500 was the minimum the company would be asking.

"I feel the market is somewhat stronger than just a $20 rise but we are talking to our customers about it at the moment," Mr Eklund said.

He said March's increase had met little resistance and that demand was good as the pulp inventories of paper producers were drying up and demand in Asia was picking up.

"Japan is awaking and in the rest of Asia demand is up," Mr Eklund said.

"People are buying for consumption now, particularly in the Asian market where they have not had the money to build up inventories," he said.

Anders Jansson, marketing manager of Rottneros, a medium-sized Swedish pulp producer which also raised its price to $480 in March, said the company was also considering raising prices to above $500 a tonne.

However, he said he would wait until the publication next week of North American and Scandinavian (Norscan) pulp producer inventories which are expected to show a decline of around 150,000 tonnes from the month before.

If a fall of around this level is realised then Mr Jansson said he was convinced that further price rises would be pushed through.

"I would think we will see a price in the $510 to $525 range," he said.

Finnish-Swedish forestry group Stora Enso also said it was considering a price rise.

At its height in November 1995, the list price of NSBK was more than $1,000 a tonne. Rises in the price of pulp traditionally have a knock-on effect on prices throughout the industry.

Cocoa futures in sharp decline

MARKETS REPORT

By Paul Solman, Robert Corzine and Gillian O'Connor

Cocoa futures prices fell almost 5 per cent in London yesterday to their lowest for six years.

The most actively traded May contract on the London International Financial Futures and Options Exchange closed at £770 a tonne against Wednesday's finish of £806.

The market has been heading downwards since the middle of last year on signs chocolate manufacturers – the main consumers – have adequate supplies and are employing a "just-in-time" buying strategy.

Oil markets yesterday paused to assess whether the recent rally had run out of steam or whether there was merely a temporary lull in the upward trend.

The bellwether May Brent futures contract was quoted at $14.44 a barrel in late trading on London's International Petroleum Exchange.

This was 9 cents up on Wednesday, when bearish inventory figures from the US caused May Brent to plunge 60 cents on the day.

Traders are closely watching the level of US stocks in the run-up to the "driving season", the period of heaviest gasoline demand.

Aluminium was the only base metal that actually fell yesterday, but trading was generally lacklustre across the London Metal Exchange.

Precious metals traders are watching the relationship between the platinum and palladium prices.

In March palladium gradually caught up with platinum, and for the past week its price has been consistently the higher.

EIU report expects soft markets to remain weak

By Paul Solman

Low prices of oilseeds, coffee and cocoa will help keep soft commodity markets weak this year, according to the Economist Intelligence Unit.

Import demand remains poor, while larger harvests and the devaluation of the Brazilian Real are encouraging exports and forcing prices downwards, the EIU says in its latest "Food, Feedstuffs and Beverages" report, released today.

"So far in 1999, prices for soft commodities have fallen sharply, with beverages, oilseeds and sugar prices about 20 per cent lower than they were a year earlier," the EIU says.

Edible oils are likely to be in surplus by about 672,000 tonnes in the current 1998/99 season.

"We expect the average spot price of soybean oil in the first quarter of 1999 to be some 22 per cent lower than in the same quarter of 1998."

The coffee market is suffering from stagnant demand, with a small increase in US consumption being offset by falls in Asia and Russia. The low prices reached in recent months will stimulate demand, but the slow global economic growth will keep a lid on consumption, the EIU says.

Exportable production is forecast to reach a new high of 81m 60kg bags in the current season, and 89m bags in 1999-2000.

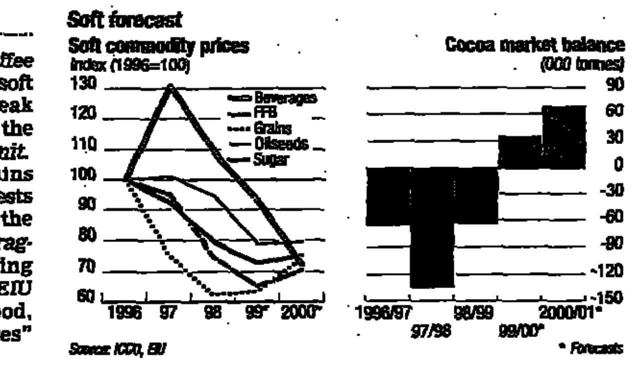
As a result, the EIU expects prices to fall, especially in the arabica market. "The downward pressure will be greater still if the Brazilian government releases even more stockpiled beans to ease the domestic market tightness, or if growers are tempted by currency devaluations to step up sales."

The cocoa market appears to have confounded market forces in recent months, with prices heading lower in spite of indications of a global deficit. Demand is likely to remain flat this season, affected by falls in chocolate consumption in the former Soviet Union and Asia, the EIU says.

Unfortunately for prices, the supply outlook is positive. Total output in the Ivory Coast, the largest producer, could come close to the 1995-1996 record of 1.2m tonnes this season.

The EIU expects cocoa to return to a surplus of 36,000 tonnes next season, against 1998-1999's deficit of 65,000 tonnes.

Soft forecast



Source: ICCO, EIU * Forecasts

Move to boost pepper exchange

By Kunal Bose in Calcutta

The International Pepper Exchange, founded a year and a half ago in the southern Indian state of Kerala, will introduce dollar-denominated futures trading in another four months.

This will breathe life into the exchange where the volume of trading has remained disappointingly low. The domestic pepper exchange is, however, doing well.

"The initiative is in response to several representations by foreign trading houses that they do not want to trade in the local currency denominated contracts because of the foreign exchange risk," said an exchange official.

As a result, the Indian federal government asked the exchange last December to introduce futures trading in pepper in dollars. Pepper is the only commodity where dollar-denominated trading has been allowed in spite of the fact that the Indian currency is not as yet fully convertible.

According to Sanjay Mariwala, president of Indian Pepper and Spice Trade Association, which sponsored the exchange, foreign traders will be asked what other reforms besides dollar-denominated trading they want for participation in trading.

A common complaint from foreigners is that the exchange has yet to put in place "an effective guarantee system for the contracts". They want the daily trading limit of a trader to be raised "substantially" from the present 200 tonnes.

They are also disappointed that the exchange is yet to introduce screen-based trading and there are no moves to start simultaneous trading in Kuala Lumpur.

Trade officials say IPSTA has not done enough to "market the exchange among the foreigners".

Until now only three foreign trading houses – Mcormick of the US, Burn Philips of Australia and Man Producten of the Netherlands – have done business at the pepper exchange.

But they are all operating through their Indian associates.

NEWS DIGEST

ALUMINIUM

Nymex to delay launch of new futures contract

The New York Mercantile Exchange, the Manhattan-based futures market, said yesterday it was delaying the launch of its new aluminium futures contract. Trading had been due to start next week, but will start on May 14.

The exchange said the delay would provide extra time for deliverable metal to be in place at exchange-approved warehouses, and for traders to become more familiar with the new specialist marketmaker programme – which will see AIG International essentially support liquidity in the contract during its early phase.

Nymex is hoping that the contract will be used as a marker for aluminium pricing in the Midwest, but the extent to which this will be supported by the industry – which already has a London Metal Exchange contract established for global pricing – remains unclear.

However, it faces strong competition from the London Metal Exchange. The LME aluminium contract, launched in 1978, is widely seen as the global benchmark for aluminium futures, and most aluminium contracts worldwide are based in some way on the LME prices.

An attempt by the The New York Commodity Exchange to introduce a rival contract in 1983 failed after volumes and open interest dwindled to nothing.

Nikki Tait, Chicago

PETROL

Rise in price seen in US

The US Department of Energy yesterday predicted further increases in domestic retail petrol prices in light of cuts in world oil production announced by the Organisation of Petroleum Exporting Countries last month. Petrol prices, which have risen sharply since February, are expected to average $1.13 a US gallon this summer – up 9 to 10 cents on last summer.

The annual Short-term Energy Outlook, published by the Energy Information Administration, said crude oil prices are expected to rise through 2000.

The world crude oil price – the average cost to US refiners of imported oil – is expected to be about $15-$16 a barrel by December. This translates to about $18 a barrel for West Texas Intermediate.

The EIA said world prices are expected to near $17 a barrel by the end of next year. "This assumes that the recently announced oil production cuts by OPEC (and others) actually do have [a] significant impact and that oil demand growth outside of the major industrialised countries begins to show some strength after this year," it added.

The report also predicted that in 2000, the country's oil import dependence would climb to 54 per cent of total consumption – compared with 52 per cent in 1998 – assuming domestic production continues to fall and economic growth remains modest.

Gautam Malkani, Washington

Comments and press releases about commodities and agriculture coverage can be sent by e-mail to international.companies@ft.com

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1240.5-41.5	1262.5-63
Previous	1235.5-6.5	1258-8.5
High/low		1265/1258
AM Official	1241-41.5	1262.5-64
Kerb close		1267-68
Open int.	291,799	
Total daily turnover	73,500	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1123-28	1145-47
Previous	1119-24	1140-45
High/low		1150/1145
AM Official	1130-31	1150-55
Kerb close		1142-45
Open int.	9,155	
Total daily turnover	1,070	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	504-5	506-7
Previous	495.5-6.5	498-9
High/low		509/494
AM Official	501.5-2	502.5-3
Kerb close		505-6
Open int.	37,738	
Total daily turnover	14,692	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5020-30	5090-100
Previous	4950-60	5025-30
High/low		5210/5045
AM Official	5060-65	5140-45
Kerb close		5045-50
Open int.	71,597	
Total daily turnover	26,342	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5335-45	5295-300
Previous	5270-80	5250-60
High/low		5305/5290
AM Official	5340-45	5295-300
Kerb close		5280-90
Open int.	18,775	
Total daily turnover	3,573	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	986-7	1005-06
Previous	975-6	993.5-4.0
High/low		1013/1002
AM Official	986.5-7.5	1005.5-06
Kerb close		1005-06
Open int.	94,397	
Total daily turnover	27,789	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1415-16	1441-42
Previous	1401-2	1427-8
High/low		1452/1434
AM Official	1413-13.5	1438-39.5
Kerb close		1434-36
Open int.	168,925	
Total daily turnover	50,463	

■ LME AM Official £/$ rate: 1.6060
LME Closing £/$ rate: 1.6115

Spot: 1.6087 3 mths: 1.6077 6 mths: 1.6076 9 mths: 1.6082

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	64.00	-0.20	64.60	64.00	550	713
May	64.45	-0.20	65.40	64.20	12,740	34,283
Jun	64.90	-0.15	65.25	64.80	24	2,093
Jul	65.20	-0.20	66.15	65.05	1,205	10,988
Aug	65.55	-0.20	66.00	65.45	9	1,585
Sep	65.85	-0.15	66.80	65.80	194	5,182
Total					14,874	68,888

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	279.70-280.20		
Opening	280.10-280.50		
Morning fix	280.40	175.02	259.39
Afternoon fix	281.00	174.43	258.99
Day's High	281.40-281.80		
Day's Low	279.70-280.10		
Previous close	279.80-280.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.24	6 months	4.12
2 months	4.22	12 months	3.73
3 months	4.19		

Silver Fix	p/troy oz.	US cts equiv.
Spot	310.42	497.75

Silver Lending Rates

1 month	3.00	6 months	1.25
2 months	2.40	12 months	1.00
3 months	2.10		

Gold Coins	$ price	£ equiv.
Krugerrand	281-285	174-177
New Sovereign	65-69	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	280.7	+0.4	281.6	280.4	68	449
May	281.7	+0.4	-	-	3	2
Jun	282.7	+0.4	283.5	281.3	11,671	128.3k
Aug	284.7	+0.4	285.6	284.0	1,159	10,161
Oct	286.7	+0.4	287.1	285.8	3	3,305
Dec	288.5	+0.4	289.2	287.3	78	15,692
Total					13,057	188,089

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	355.6	+8.2	355.5	355.5	123	204
Jul	358.1	+1.1	358.8	358.5	1,671	9,971
Oct	359.1	+1.4	360.0	360.0	120	1,243
Total					2,214	11,542

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	358.85	-8.25	365.00	358.50	204	2,671
Sep	353.85	-8.25	-	-	2	228
Dec	348.85	-8.25	-	-	-	126
Mar	343.85	-8.25	-	-	-	15
Total					206	3,040

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	488.5	-7.5	498.5	488.0	6,930	38,661
Jul	491.8	-7.5	501.5	491.0	1,243	16,901
Sep	493.8	-7.5	500.0	494.5	37	5,878
Dec	495.8	-7.6	505.0	496.0	427	10,776
Jan	495.2	-7.6	-	-	2	16
Mar	496.4	-7.8	504.0	504.0	4	2,491
Total					8,772	79,912

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	16.14	+0.11	16.25	15.90	83,075	146.5k
Jun	16.18	+0.14	16.23	15.94	52,886	111.7k
Jul	16.16	+0.16	16.20	15.97	15,359	62,024
Aug	16.06	+0.17	16.08	15.80	7,250	32,684
Sep	15.92	+0.13	15.98	15.72	4,882	19,956
Oct	15.85	+0.16	15.85	15.85	1,115	19,512
Total					183,249	634,189

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
May	14.42	+0.07	14.52	14.28	18,202	48,484
Jun	14.44	+0.07	14.52	14.30	23,946	100.1k
Jul	14.42	+0.06	14.46	14.31	8,782	31,296
Aug	14.38	+0.07	14.43	14.25	1,042	13,314
Sep	14.30	+0.02	14.30	14.21	254	14,378
Oct	14.21	-0.04	14.21	14.19	30	6,489
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	41.65	+0.38	41.85	41.05	17,468	45,169
Jun	41.90	+0.39	42.15	41.45	7,573	23,435
Jul	42.25	+0.44	42.40	41.80	3,168	16,455
Aug	42.85	+0.44	43.00	42.60	1,119	16,489
Sep	43.35	+0.29	43.45	43.10	570	9,436
Oct	44.60	+0.84	44.60	44.00	218	6,482
Total					34,692	169,255

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	125.00	-3.50	126.75	124.00	14,031	19,151
May	125.25	-2.25	125.50	123.50	14,808	36,260
Jun	126.00	-2.00	126.00	124.00	4,239	23,414
Jul	127.50	-1.75	127.50	125.50	597	10,158
Aug	129.25	-1.50	129.00	127.00	797	7,850
Sep	131.00	-1.50	130.75	128.75	590	7,486
Total					23,884	153,863

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
May	9.250	+0.040	9.270	9.240	250	2,520
Jun	9.240	+0.060	9.240	9.210	105	1,870
Total					455	n/a

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.060	+0.036	2.085	2.018	38,889	54,311
Jun	2.085	+0.035	2.110	2.055	10,216	24,377
Jul	2.105	+0.035	2.725	2.085	3,927	20,344
Aug	2.125	+0.035	2.140	2.095	2,209	17,415
Sep	2.140	+0.030	2.150	2.110	1,789	17,817
Oct	2.165	+0.025	2.180	2.145	1,984	13,783
Total					67,739	292,848

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	50.30	-0.21	50.90	49.60	28,157	45,880
Jun	50.65	-0.03	51.10	49.90	10,664	24,109
Jul	50.55	+0.12	50.80	49.70	3,333	17,963
Aug	50.00	+0.10	50.05	49.80	2,225	7,457
Sep	49.20	+0.15	49.20	48.70	783	4,483
Oct	47.70	+0.15	-	-	26	2,882
Total					43,411	109,999

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.10	-1.00	75.75	75.00	100	2,598
Jul	77.00	-1.00	77.65	76.90	117	2,466
Sep	75.40	-	-	-	-	178
Nov	77.25	-1.25	78.00	77.25	56	3,052
Jan	79.25	-1.00	80.00	79.25	50	584
Mar	81.10	-	-	-	-	113
Total					323	9,015

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	268.75	-6.00	276.00	268.00	5,025	35,920
Jul	279.75	-5.00	286.00	278.50	15,351	53,038
Sep	290.25	-8.75	297.75	289.50	459	6,724
Dec	306.00	-5.50	309.25	305.00	691	14,750
Mar	316.25	-4.75	319.00	315.50	70	3,308
Jul	330.00	-3.00	330.50	327.50	21	343
Total					21,817	114,087

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	216.50	-1.25	218.25	215.75	29,338	105,170
Jul	222.25	-1.25	223.75	221.50	17,140	107,978
Sep	228.50	-1.75	230.50	228.00	1,163	25,185
Dec	237.50	-1.00	239.25	236.50	9,127	86,842
Mar	246.00	-1.00	247.75	245.50	453	14,672
May	250.50	-0.50	251.75	250.25	38	1,109
Total					57,499	340,563

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.50	-	76.00	75.75	15	158
Sep	74.50	-	-	-	-	35
Nov	76.50	-0.50	76.50	76.50	2	390
Jan	78.50	-	-	-	-	30
Mar	80.50	-	-	-	-	-
May	82.50	-	-	-	-	-
Total					17	663

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	477.25	-2.75	481.50	476.25	23,977	53,666
Jul	486.00	-2.25	490.00	485.00	7,095	46,638
Aug	488.50	-2.75	493.00	488.00	585	14,654
Sep	492.00	-1.75	495.50	491.50	190	7,425
Nov	501.25	-1.25	505.25	500.00	4,937	35,272
Jan	511.75	-1.25	515.00	511.00	94	1,726
Total					36,921	161,846

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	18.51	+0.12	18.62	18.21	9,570	37,139
Jul	18.77	+0.09	18.92	18.66	4,341	33,111
Aug	18.83	+0.08	19.06	18.85	349	9,400
Sep	19.10	+0.08	19.21	19.00	158	8,766
Oct	19.22	+0.08	19.30	19.15	52	5,845
Dec	19.52	+0.10	19.62	19.39	552	22,210
Total					15,476	131,472

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	132.1	-1.5	133.4	131.0	12,282	38,153
Jul	134.7	-0.9	135.6	133.7	5,649	32,803
Aug	136.3	-1.0	137.0	135.5	1,138	11,804
Sep	137.4	-1.6	138.5	136.9	295	9,583
Oct	138.9	-1.1	140.0	138.5	453	5,251
Dec	142.1	-1.2	143.2	141.3	1,624	15,490
Total					21,475	114,169

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	255.0	-	255.0	255.0	27	166
Jun	265.0	-	-	-	-	-
Nov	65.0	-	-	-	-	3
Mar	104.0	-	-	-	-	-
Apr	125.0	+1.0	125.0	123.9	48	245
Total					75	411

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	895	-10	910	895	51	1,057
May	899	-5	910	895	65	193
Jun	860	-	-	-	-	-
Jul	825	-	-	-	-	563
Oct	945	-	945	945	4	455
Total					120	2,315

	Close	Prev
BFI	862	873

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	484.00	+7.00	466.00	464.00	6	517
Sep	484.00	+7.00	486.00	480.00	21	127
Total					27	646

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

There are no wool auctions this week. Closing prices before the Easter recess were a little softer for New Zealand crossbred wools, and more or less firm Australia and South Africa. Business in leading consuming countries is generally quiet, though there is a slightly more hopeful view of the outlook than applied a short time ago. The US and Europe show signs of settling the dispute over bananas, with its extraordinary side-effect on the important cashmere knitwear sector in Scotland. Confidence in the sector has been helped by a recent rise in cashmere prices.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	770	-35	800	761	9,520	44,971
Jul	789	-35	818	780	3,365	17,455
Sep	808	-36	837	801	3,577	28,025
Dec	834	-35	860	827	1,877	26,691
Mar	858	-33	882	852	984	18,087
May	880	-34	904	875	742	17,131
Total					28,463	161,669

■ COCOA CSCE (10 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1079	-55	1110	1075	4,096	20,381
Jul	1111	-52	1139	1108	2,874	18,511
Sep	1142	-51	1170	1140	972	8,921
Dec	1183	-51	1210	1182	327	6,514
Mar	1224	-51	1252	1225	619	6,740
May	1248	-51	1263	1258	16	3,856
Total					8,810	85,603

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Apr 7		
Daily	915.20	929.84

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1504	-9	1511	1500	3,068	28,098
Jul	1498	-9	1505	1495	3,519	15,823
Sep	1511	-6	1514	1507	382	6,973
Nov	1524	-5	1526	1518	170	2,074
Jan	1527	-	-	-	-	548
Mar	1527	-	-	-	-	132
Total					7,177	54,848

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	99.70	-2.90	102.90	99.50	9,587	15,432
Jul	100.10	-4.35	104.50	99.50	4,664	12,396
Sep	102.10	-4.25	106.25	102.75	861	5,535
Dec	103.80	-4.25	107.75	105.00	222	3,595
Mar	105.30	-4.20	109.20	108.00	93	1,175
May	110.90	-4.10	110.00	109.00	1	110
Total					15,431	38,279

■ COFFEE (ICO) (US cents/pound)

Apr 8		Prev. day
Comp. daily	87.67	89.61
15 day average	89.26	89.40

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	195.9	-2.9	197.5	195.0	3,013	14,293
Aug	189.1	-2.7	190.5	188.2	2,443	20,056
Oct	186.9	-2.5	187.3	185.5	465	12,293
Dec	188.7	-2.6	189.0	188.0	88	5,133
Mar	195.4	-1.5	196.0	195.0	28	3,216
May	198.4	-2.3	198.0	198.0	10	1,586
Total					6,046	56,721

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	5.44	-0.06	5.52	5.40	12,671	62,722
Jul	5.18	-0.06	5.23	5.03	9,810	57,401
Oct	5.64	-0.08	5.69	5.58	3,546	34,057
Mar	6.24	-0.08	6.29	6.22	1,635	20,932
May	6.30	-0.08	6.36	6.32	729	3,193
Jul	6.39	-0.07	6.45	6.40	11	2,179
Total					27,848	182,201

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	61.91	+1.06	62.30	60.25	5,276	21,818
Jul	61.96	+1.11	62.35	60.23	1,847	15,843
Oct	60.45	+0.57	59.88	59.65	48	1,844
Dec	60.09	+0.50	60.20	59.30	633	16,151
Mar	61.10	+0.50	60.80	60.40	23	3,306
May	61.65	+0.50	61.40	61.10	26	1,321
Total					7,853	60,854

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.15	+1.00	83.40	82.20	1,603	16,738
Jul	83.85	+1.15	84.30	83.10	704	5,987
Sep	85.45	+0.85	85.25	84.80	191	2,804
Nov	86.95	+1.05	86.25	85.65	87	2,761
Jan	88.35	+0.85	87.75	87.50	232	2,428
Mar	90.35	+0.85	-	-	3	320
Total					2,817	31,067

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 8	Apr 7	month ago	year ago
1330.3	1336.0	1399.1	1655.9

■ CRB Futures (Base: 1967 = 100)

Apr 7	Apr 6	month ago	year ago
188.93	190.79	-	-

■ GSCI Spot (Base: 1970 = 100)

Apr 7	Apr 6	month ago	year ago
150.29	153.86	139.27	166.72

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-625	to	814,900
Aluminium alloy	-940	to	67,120
Copper	-800	to	716,950
Lead	-250	to	102,100
Nickel	+128	to	61,440
Zinc	+3,425	to	310,650
Tin	+120	to	9,165

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	66.850	-0.750	67.775	66.750	4,435	22,379
Jun	63.775	-1.150	65.050	63.550	5,142	48,218
Aug	62.525	-0.575	83.300	62.400	895	20,524
Oct	64.675	-0.550	65.350	64.575	275	11,273
Dec	66.550	-0.375	67.125	66.500	170	5,411
Feb	67.950	-0.225	68.250	67.900	56	1,915
Total					10,988	110,460

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	41.900	-0.450	42.350	41.750	2,663	6,429
Jun	53.750	-0.250	54.750	53.650	4,241	17,351
Jul	55.350	-0.250	56.200	55.300	707	5,635
Aug	55.900	+0.175	56.500	55.600	856	5,170
Oct	53.800	-0.225	54.550	53.300	307	7,075
Dec	54.275	+0.175	54.700	54.050	262	3,446
Total					9,108	46,017

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	50.675	-0.225	51.850	50.250	734	2,983
Jul	51.850	-0.250	52.750	51.450	178	1,409
Aug	50.675	-0.375	51.700	50.650	19	445
Total					931	4,838

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	May	Aug	May	Aug
1250	n/a	58	n/a	45
1300	n/a	38	n/a	72
1350	n/a	21	n/a	106

■ COPPER (Grade A) LME

	May	Aug	May	Aug
1350	78	124	10	32
1400	44	93	25	50
1450	21	68	52	74

■ COFFEE LIFFE

	May	Jul	May	Jul
1450	292	62	1	8
1500	242	29	1	25
1550	192	12	1	58

■ COCOA LIFFE

	May	Jul	May	Jul
775	14	42	19	28
800	6	29	36	40
825	2	20	57	56

■ BRENT CRUDE IPE

	May	Jun	May	Jun
1400	-	-	10	45
1450	15	-	-	66
1500	8	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.60-3.71	-0.50
Brent Blend (dated)	$13.83-3.87	-0.295
Brent Blend (May)	$14.26-4.30	-0.405
W.T.I.	$15.92-5.97x	-0.445

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Unleaded Gasoline ‡	$158-160	-3
Gas Oil	$127-128	-3
Heavy Fuel Oil	$68-70	+1
Naphtha	$135-136	-2.5
Jet fuel	$153-154	
Diesel	$141-142	-4

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	9.19-9.29	+0.01

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$279.95	-0.10
Silver (per troy oz)♣	497.75	+3.00
Platinum (per troy oz.)	$357.25	+1.75
Palladium (per troy oz.)	$363.00	-1.50
Copper	70.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.65r	+0.10
Tin (New York)	250.5	+1.0
Cattle (live weight)	92.40p	+0.63*
Sheep (live weight)	102.79p	+2.33*
Pigs (live weight)†	62.16p	+2.24*
Lon. day sugar (raw)	$151.10	
Lon. day sugar (wte)	$211.30	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£97.00	
Wheat (US Dark North)	£122.00	
Rubber (May)♥	42.00p	
Rubber (Jun)♥	42.50p	
Rubber (KL RSS No1)	224.50m	-2.50
Coconut Oil (Phil)§	770.0	+30.0
Palm Oil (Malay.)§	465.0y	+2.5
Copra (Phil)§	482.0z	+22.0
Soyabeans (US)	141.0y	-1.0
Cotton Outlook'A' index	57.30	
Wooltops (64s Super)	302p	

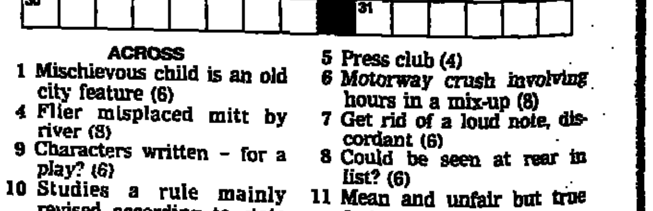
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. f May/Jun. y Mar. z Mar. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3 Unleaded Gasoline replaced Premium on March 15th. 761 head of pigs sold

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

No.9,957 Set by QUARK



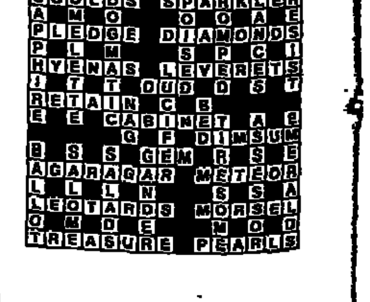
ACROSS

1 Mischievous child is an old city feature (6)
4 Flier misplaced mitt by river (8)
9 Characters written – for a play? (6)
10 Studies a rule mainly revised according to state official(8)
12 A northern church in a hilly environment unlikely to move? (2,6)
13 Reveal politician in one painting (6)
15 Gain ground (4)
16 Notice some lines opposite (7)
20 One reads casually of software acting as interface (7)
21 Computer input partly prepared at American university (4)
25 Exclude the member in the city without hesitation (6)
26 A study of individuals as we move around in the county (8)
28 Holder of scraps for a boxer, possibly (5,3)
29 Unfortunately left gap in fence (6)
30, 31 The boot for the infantry? (8,6)

DOWN

1 A European group of horses lacking in balance (8)
2 Drops the end (8)
3 Cheeky youngster to play "Consequences" (6)
5 Press club (4)
6 Motorway crush involving hours in a mix-up (8)
7 Get rid of a loud noise, discordant (6)
8 Could be seen at rear in list? (6)
11 Mean and unfair but true facts (3-4)
14 Regular officer (7)
17 Try and pitch to get spin – a work of art (8)
18 I'm calm being served with old English sort of tea (8)
19 An unenlightened period (4,4)
22 Rarely seen in counsel: domineering attitude (6)
23 Black moth often seen in old clothes (6)
24 Get to work once more – or retire (6)
27 Suffering country losing leader (4)

Solution 9,956



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Baring Intl Fd Mngrs – Contd.

Henderson Crosthwaite Investment Co

Herald Investment Fund Plc

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AIB Govett (Channel Islands) Limited (1000)F — 01534 873220

Lombard Odier - Contd.

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Midland Offshore Global Investment Funds Ltd

Eurostan Global SICAV (u)

Fidelity Funds (u)

LUXEMBOURG
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

AUTOMOBILES

BANKS

BEVERAGES

CHEMICALS

CONSTRUCTION & BUILDING MATERIALS

CONSTRUCTION & BUILDING MATERIALS - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

FOOD PRODUCERS & PROCESSORS

FOOD PRODUCERS & PROCESSORS - Continued

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

HEALTH

HOUSEHOLD GOODS & TEXTILES

HOUSEHOLD GOODS & TEXTILES - Continued

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

AIM - Continued

WATER

AMERICANS

STEEL & OTHER METALS

LEISURE, ENTERTAINMENT & HOTELS

OIL & GAS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

REAL ESTATE - Continued

SUPPORT SERVICES

AIM

Alternative Investment Market

LIFE ASSURANCE

PACKAGING

RESTAURANTS, PUBS & BREWERIES

MEDIA & PHOTOGRAPHY

PERSONAL CARE & HOUSEHOLD PRODUCTS

PHARMACEUTICALS

SOFTWARE & COMPUTER SERVICES

TELECOMMUNICATIONS SERVICES

TOBACCO

TRANSPORT

REAL ESTATE

MINING

SPECIALITY & OTHER FINANCE

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are net and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ● Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

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Rate cut fails to entice buyers back to market

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London equity market's run of eight straight winning sessions came to a grinding halt yesterday, ironically on the day the Bank of England's monetary policy committee sanctioned another reduction in domestic interest rates.

Dealers said the 25 basis point cut, the sixth reduction since October last year and which took UK rates down to 5.25 per cent, the lowest since February 1994, had already been factored in to the market.

"Despite the jitters prompted by Wednesday's stronger-than-expected services survey and industrial production number, the market was still going for a cut," said one marketmaker.

He added that the downside pressure in London was never substantial and pointed to the robust performances of the second and third-tier stocks as evidence that the institutions were not sellers. "The leaders are off because they've gone up in a straight line for eight days," he said.

The FTSE 100 closed down 35.3 at 6,437.9, having touched a session high of 6,489.7, up 16.5, just before the mpc announcement. At its lowest, the index posted a 88.0 decline. Over eight sessions, the index had risen 456.5 or 7.6 per cent.

The FTSE 250, always in positive territory, finished 15.5 up at 5,514.0, having touched 5,516.5. Similarly the FTSE SmallCap never threatened and settled 9.8 higher at 2,420.7.

Richard Jeffrey, group economist at CCF Charterhouse, said: "The rate cut is unwarranted and potentially dangerous in the light of recent economic numbers." While HSBC's economic and strategy team said: "Rates are likely to go a little lower over the next month or two before stabilising at 5 per cent as the economy shows signs of recovering."

An uncertain opening by Wall Street provided no support for London, which posted its session low minutes after the US market kicked off.

Earlier, the market had to endure a morning session of mostly minor moves as the mpc news was awaited.

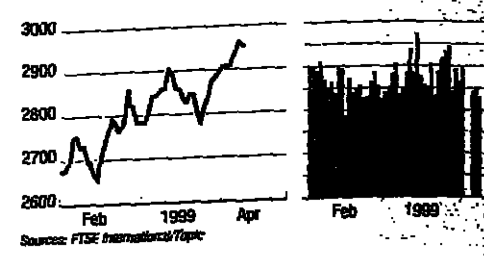
Dealers completely ignored Wall Street's powerful showing overnight, which saw the Dow Jones Industrial Average race back through the 10,000 level and finish 121 points higher. Wall Street's performance also triggered sympathetic and substantial gains across Asian markets.

Commenting on Footsie's recent move to record levels, the strategy team at BT Alex Brown said: "We do not expect a convincing break into new high territory given the threat of tighter US monetary policy as economic growth remains robust. Firmer oil prices, plus the Kosovo conflict, also give cause for concern. We suspect that the FTSE 100 is now towards the top of the likely trading range for the rest of the quarter."

The mpc cut provided a good excuse for dealers to promote the rate-sensitive sectors of the market, namely the banks and insurances, retailers, properties and housebuilders.

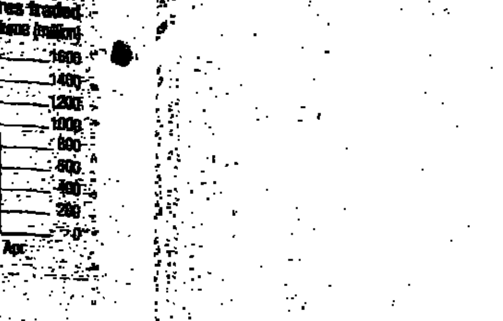
There was some disappointment at the rather sluggish level of business yesterday. At 6pm turnover had reached 920m shares compared with Wednesday's 1bn and Tuesday's 980m.

FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	6437.9	-35.3	FT 30	3893.9	-11.6
FTSE 250	5514.0	+15.5	FTSE Non Fins p/e	[illegible]	[illegible]
FTSE 350	3051.7	-13.0	FTSE100 Fut Jun	[illegible]	[illegible]
FTSE All-Share	2951.84	-11.42	10 yr Gilt yield	[illegible]	[illegible]
FTSE All-Share yield	2.28	2.27	Long gilt/equity yld ratio	[illegible]	[illegible]

Best performing sectors
1 Forestry & Paper +5.3
2 Leisure : Ent & Hotels +2.5
3 Mining +2.0
4 Electronic & Elec +1.8
5 Life Assurance +1.3

Worst performing sectors
1 Aerospace & Defence [illegible]
2 Chemicals [illegible]
3 Electricity [illegible]
4 Personal Care [illegible]
5 Banks [illegible]

Digital picture sparkles

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Broadcasters Carlton Communications and Granada sparkled as their jointly owned On Digital television company disclosed better-than-expected subscriber data at a London presentation yesterday.

On Digital said it had signed up 110,000 subscribers since its launch in November, well ahead of the most pessimistic analysts' estimates of between 60,000 and 80,000. The company also confirmed that more than 100,000 integrated television sets with built-in On Digital TV decoders would go on sale in June.

Dealers cheered by the news helped Carlton bounce from Wednesday's retreat to close 20½ up at 634½p, while Granada, a solid performer in the previous session, put on another 44 to £13.50.

"Everyone came away feeling warm and nice about On Digital," said one analyst after the presentation.

However, a more cautious view of the prospects for On Digital had emerged by the session close. A sector specialist said: "Once we are past the initial stage the climate will be much tougher for On Digital. Satellite and cable offer more content or functionality or both at comparable prices. So why sign up to On Digital?"

Sentiment in Granada was also boosted by positive comment from analysts meeting the company. Gerry Robinson, Granada chairman, this week sold 64 per cent of his shares in the hotels and TV company for tax purposes.

Among publishing stocks, press reports suggesting Reed International is still in merger talks with Wolters Kluwer helped drive the shares sharply ahead. They closed up 25 at 578p, with one UK analyst saying: "With the current management fiasco, it is difficult to see a way forward for Reed apart from merger."

It was a mixed picture among food retailers following the Office of Fair Trading's confirmation that it was to refer the industry to competition authorities. Concerns over exploitative practices and lack of competition are among the issues to be investigated by the commission.

With the supermarkets having received notice of the move two weeks ago, the news was no surprise to the market. Analysts admitted that the investigation would cast a shadow over the sector in the short term, but many said they did not expect a damning outcome.

Among individual stocks, Asda Group hardened 1¾ to 149p after it reiterated it had "nothing to fear" from the OFT's referral.

Strong two-way business in J. Sainsbury brought turnover of 20m as the shares edged ¾ forward to 384½p. But the sellers had the upper hand in Tesco and the shares declined 3¼ to 158¼p, with 21m having been dealt by the close.

Cadbury Schweppes improved 23 to 897½p amid hopes that the group would overcome regulatory hurdles in Australia in selling soft-drinks brands to Coca-Cola. Sentiment was further enhanced by ABN-Amro reiterating its "buy" stance on the stock.

Drug stocks, which have been aggressively bought recently, came under pressure as profit-takers moved in. Glaxo Wellcome dropped 86 to £20.97 and SmithKline Beecham 21 to 89p.

Building-related stocks were a feature of the best FTSE 250 performers, with Tarmac up 6½ at 109½p, Barratt up 9 at 311½p and Bellway gaining 10 to 347½p. In the Footsie, Hanson rose 17½ to 553½p, leaving it just 50p below its 52-week high.

The moves were made in the wake of a bullish note on the sector, "The Hard Landing that Never Happened", from David Taylor at Teather & Greenwood. He highlighted the potential for recovery among building materials stocks, stemming from assertive institutions, corporate action and management buy-outs.

Banks fall away

Bank shares, strongly supported recently by the prospects of a soft landing for the domestic economy, made progress in the early part of the session, but fell away towards the close as profit-takers moved in.

There was a handful of good performers as the curtain fell on the trading day, however. Abbey National, still being driven ahead by a couple of brokers, ran up 18 to £13.53, while Woolwich nudged up 2¼ to 398p.

Bank of Scotland was another big winner, climbing 14½ to 903p on exceptionally heavy turnover of 11m.

A clutch of broker recommendations helped make Great Universal Stores the best performer in the FTSE 100. The shares, advancing strongly for a second session, jumped 48 or 7.2 per cent to 713p.

The list of brokers favouring the stock included Merrill Lynch, which reiterated its positive stance, while Warburg Dillon Read was said to have urged investors to buy the shares. However, dealers said that Credit Suisse First Boston remained cautious.

Buyers were also seen for retailer W.H. Smith. The shares rose 75 or 10.6 per cent to 782½p, the best performer in the FTSE 250.

BICC saw brisk trade of 5.7m, with Prudential said to be a buyer of 2m shares at 103p and other institutional investors buying at 106p.

BICC closed at 104p, remaining stubbornly below the 110p at which Wassall had set its proposal. Wassall was static at 220p.

The prospect of a bid for computer group Ilion was raised by an announcement after the market had closed. Wayne Channon, former chief executive who resigned in December after a profits warning, had joined Paul Kuiken, chief executive of Ilion's European rival Landis, in acquiring 11.8 per cent of Ilion. The group, which reached 408p in 1997, was off a penny at 83¼p.

Any bid would need the agreement of the two leading shareholders: Amvescap with 10.8 per cent and National Westminster with 10 per cent.

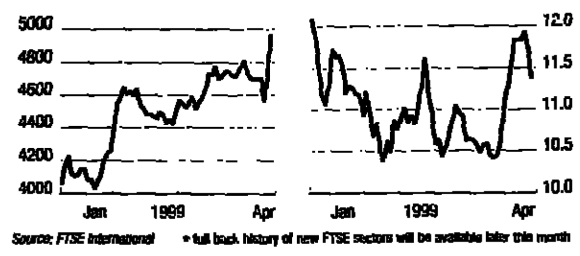
Proudfoot, the consultancy services group, was off 1½ at 21p after a 13 per cent rise in pre-tax profits to £6.2m. The stock, which is seen as a recovery play, stands on a prospective price/earnings ratio of 5.

Traders suggested that investors had taken fright at the company's statement that first-half earnings would be lower because of investment plans.

Yorklyde, the textiles group, was easier at 57½p after it said it faced another difficult year after falling into a loss, as signalled in its January profits warning.

Best and worst performing FTSE sectors* (pre-reclassification)

Forestry & Paper — Pharmaceuticals ('000)



Source: FTSE International * full back history of new FTSE sectors will be available later this month

FT 30 INDEX

	Apr 8	Apr 7	Apr 6	Apr 1	Mar 31	Yr ago	*High	*Low
FT 30	3893.9	3905.5	3873.3	3838.8	3835	3855.7	4004.9	2790.6
Ord. div. yield	2.64	2.63	2.65	2.69	2.70	2.84	4.22	2.72
P/E ratio net	23.86	23.94	23.73	23.40	23.35	24.99	25.41	15.80
P/E ratio nil	23.80	23.88	23.67	23.33	23.28	24.77	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98, low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3905.5	3914.2	3916.3	3929.6	3911.9	3917.6	3897.0	3908.3	3933.7	3893.2

STOCK MARKET TRADING DATA

	Apr 8	Apr 7	Apr 6	Apr 1	Mar 31	Yr ago
SEAQ bargains	88,273	97,297	102,707	108,789	97,705	na
Equity turnover (£m)†	-	na	6051.4	4324.9	4182.2	na
Equity bargains†	-	na	88,875	85,664	80,951	na
Shares traded (m)†	-	na	1102.1	925.2	10101.8	na
Total market bargains‡	-	na	110,790	103,470	96,842	-
Total turnover (£m)‡	-	na	8323.1	6017.6	6070.3	-
Total shrs traded (m)‡	*931.2	na	1452.8	1196.5	1333.0	-
Tradepoint turnover (£m)	21.2	32.5	21.0	28.8	29.4	46.5
Tradepoint shrs traded(m)	8.4	9.9	9.7	11.4	11.7	11.0

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	701	Total Highs	104	Total contracts	28,256
Total Falls	716	Total Lows	32	Calls	15,557
Same	1,436			Puts	12,699

Apr 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6540.0	6473.0	-45.0	6550.0	6435.0	24849	158891
Sep	-	6520.0	-45.0	-	-	0	4322
Dec	-	6578.0	-45.0	-	-	0	700

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5520.0	5514.0	+15.0	5520.0	5520.0	8	7380

FTSE 100 INDEX OPTION (LIFFE) (*6438) £10 per full index point Apr 8

	6250 C	6250 P	6300 C	6300 P	6350 C	6350 P	6400 C	6400 P	6450 C	6450 P	6500 C	6500 P	6550 C	6550 P	6600 C	6600 P
Apr	214½	24	173	32	136½	45½	102	60½	74	82	51	108½	32	139½	19½	178½
May	320½	113½	283	126	250	143½	220	163	188½	182½	158½	202½	136½	238	114½	258
Jun	386	165	352½	181½	322	201	291½	220	261	239½	230½	259	204	283	181½	310½
Jul	434½	206	404	225	374	244	343½	282½	313½	282	283½	301½	256	324	234	351½
Dec†			870½	416			611	455			581½	494½			492½	537½

Calls 3,181 Puts 1,106

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Apr 8

	6275 C	6275 P	6325 C	6325 P	6375 C	6375 P	6425 C	6425 P	6475 C	6475 P	6525 C	6525 P	6575 C	6575 P	6625 C	6625 P
Apr	181½	24½	152	35	116	49	85	68	59½	92½	38	122	23½	158½	13	198
May	293½	111½	259½	127½	227	144½	200½	158	173	189½	145½	212	123	239½	104	271
Jun	364½	168½	332	185½	301	204	270½	223	242	244	216	267½	189½	290½	167	317
Sep			512½	322			444½	351½			389½	394½			335	438
Dec†			686	422½			590½	443½			521½	470½			472½	516

Calls 7,455 Puts 5,981 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§175	F.P.	129.5	293½	205	Axon	265½	-3	-	-	-	-
-	F.P.	38.3	101	99½	BGI Endowment II	101	+½	-	-	-	-
100	F.P.	-	95	95	Br Smlr Cos VCT	95		-	-	-	-
-	F.P.	-	12½	12½	Do Warrants	12½		-	-	-	-
-	F.P.	18.6	119½	95½	Carngorm Restnct	112	-2½	-	-	-	-
-	F.P.	0.76	27	17½	Do Wts	23		-	-	-	-
-	F.P.	2,277	340	329	Canary Wharf	333	-½	-	-	-	-
§	F.P.	-	107½	105	Edinburgh Inc&Val	105½		-	-	-	-
§	F.P.	-	106	100½	Edinburgh Val ZDP	104½		-	-	-	-
-	F.P.	59.9	103½	98	Enhanced Zero Tst	99¾	-¼	-	-	-	-
§	F.P.	21.6	108	98½	Gartmore High Inc	108		K7.2	-	6.7	-
-	F.P.	10.7	108	101½	Do Zero Div Prf	106½		-	-	-	-
§	F.P.	95.0	100½	92½	Govett Enhanced	95	+½	N7.5	-	7.9	-
-	F.P.	-	105½	100	Do Zero Div Pref	103	+¼	-	-	-	-
-	F.P.	10.5	360	245	Lonmin Warrants	255		-	-	-	-
-	F.P.	80.3	77½	69	M Currie Cap Ret	75½		-	-	-	-
-	F.P.	254.7	90½	79	M Currie Portfolio	79½		-	-	-	-
-	F.P.	102.0	108½	92½	Mercury Asset Allocator	105½		-	-	-	-
-	F.P.	287.4	252½	231	Morse	235	+1½	-	-	-	31.0
-	F.P.	114.8	102½	100	Murray Global Rtn Pf	102¼		-	-	-	-
-	F.P.	208.3	190	180½	Murray Global Rtn Uts	185½	+1	-	-	-	-
-	F.P.	-	190	185	Murray Global Rtn B	187½	+2½	-	-	-	-
-	F.P.	5.39	110½	107½	†NBA Quantum	110		W-	-	-	11.2
§	F.P.	19.8	165	155	Sherry FitzGerald	155		-	-	-	26.4
*	F.P.	11.9	157½	55½	†Sports Internet	135½	-6	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 7	% chg on day	Apr 6	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (28)	854.22	-0.25	856.32	1246.13	2.13	882.51	1351.57	701.58
Regional Indices								
Africa (9)	994.57	+1.24	982.37	1276.84	4.17	1014.24	1488.04	765.83
Australasia (8)	1053.37	-2.90	1084.88	1516.24	2.88	1058.27	1800.53	815.93
Americas (11)	773.63	-0.34	776.24	1213.68	0.94	775.83	1317.41	647.89

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Apr 8	Day's chge%	Euro Index	£ Stlg Apr 7	£ Stlg Apr 6	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6437.87	-0.5	7450.19	6473.22	6415.28	6105.52	2.14	1.66	28.10	52.30	2874.68
FTSE 250	5513.99	+0.3	6381.03	5498.52	5456.73	5529.27	2.86	1.84	18.96	48.07	2420.37
FTSE 250 ex Inv Co	5552.48	+0.3	6425.58	5536.25	5494.86	5567.58	2.99	1.90	17.81	49.58	2448.56
FTSE 350	3051.73	-0.4	3531.60	3064.69	3037.87	2920.36	2.25	1.70	26.30	25.07	2785.59
FTSE 350 ex Inv Co	3059.73	-0.4	3540.86	3072.85	3046.29	2925.76	2.26	1.70	26.07	25.27	1432.67
FTSE 350 Higher Yield	2926.04	-0.1	3386.14	2929.32	2887.30	2808.68	3.42	1.58	20.93	29.14	2297.77
FTSE 350 Lower Yield	3178.86	-0.7	3678.74	3201.34	3191.67	2992.45	1.48	1.94	34.85	20.36	2343.18
FTSE SmallCap	2420.75	+0.4	2801.40	2411.12	2407.02	2634.28	2.92	1.82	17.87	17.82	2154.61
FTSE SmallCap ex Inv Co	2385.30	+0.5	2761.25	2375.59	2374.28	2625.94	3.12	2.02	15.86	18.12	2148.55
FTSE All-Share	2951.84	-0.4	3416.01	2963.26	2938.28	2844.25	2.28	1.71	25.65	24.13	2734.64
FTSE All-Share ex Inv Co	2963.77	-0.4	3429.81	2975.45	2950.67	2852.30	2.29	1.72	25.33	24.40	1412.84
FTSE Fledgling	1316.54	+0.3	1523.56	1312.07	1310.00	1410.30	3.00	1.25	26.57	8.56	1492.75
FTSE Fledgling ex Inv Co	1324.87	+0.4	1533.19	1320.20	1318.46	1436.87	3.43	1.29	22.52	9.34	1597.36
FTSE All-Small	1370.57	+0.4	1586.20	1365.38	1363.10	1486.69	2.93	1.78	19.19	9.87	1557.13
FTSE All-Small ex Inv Co	1376.83	+0.4	1593.33	1370.52	1370.16	1508.24	3.18	1.87	16.85	10.35	1575.61
FTSE AIM	870.33	+0.1	1007.19	869.59	870.08	1083.17	1.10	30.00†	0.12	2.35	795.86

FTSE Actuaries Industry Sectors

	£ Stlg Apr 8	Day's chge%	Euro Index	£ Stlg Apr 7	£ Stlg Apr 6	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
RESOURCES(18)	4863.82	-0.1	5420.44	4687.38	4685.75	4709.81	2.67	0.63	59.35	26.99	2200.26
Mining(6)	3412.65	+2.0	3949.31	3346.37	3268.61	3142.69	3.46	1.65	16.40	69.75	1125.91
Oil & Gas(12)	5440.59	-0.3	6298.00	5458.61	5465.96	5276.16	2.50	0.48	80.00†	23.20	2633.50
BASIC INDUSTRIES(83)	1979.84	+0.2	2290.83	1975.96	1943.51	2008.75	4.06	1.78	13.84	25.55	1200.86
Chemicals(20)	2928.22	-1.2	3348.30	2963.00	2922.21	2903.78	4.52	1.26	17.57	48.77	1081.96
Construction & Bld Matls(30)	1831.28	+0.7	2119.02	1818.48	1788.41	1845.73	3.38	2.29	12.97	16.26	1030.64
Forestry & Paper(2)	[illegible]	+5.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Steel & Other Metals(11)	2332.34	-0.2	2699.09	2337.05	2332.34	2987.26	6.08	1.13	11.00	22.19	1549.58
GENERAL INDUSTRIALS(77)	2036.05	+0.7	2358.54	2023.58	2004.97	2208.75	2.57	2.15	17.38	21.97	1233.79
Aerospace & Defence(11)	2482.82	-1.5	2850.26	2500.11	2471.16	2987.26	1.85	3.01	17.01	22.59	1636.51
Diversified Industrials(5)	1077.43	[illegible]	1246.85	1077.38	1088.44	1434.64	5.41	3.47	12.50	19.44	692.87
Electronic & Elect Equip(20)	3126.90	+1.8	3618.59	3073.07	3052.90	2438.84	2.25	1.88	23.63	20.39	1765.17
Engineering & Machinery(44)	2478.04	+1.3	2867.70	2447.07	2423.23	2987.26	3.29	2.04	14.93	27.32	1649.87
CYCLICAL CONSUMER GOODS(16)	6256.59	+1.1	7238.25	6189.07	6211.73	5962.70	2.62	3.05	12.52	57.92	2526.60
Automobiles(7)	4533.63	+1.2	5246.52	4478.48	4497.88	4083.43	1.98	4.14	12.33	37.45	2547.34
Household Goods & Texts(9)	1980.88	+0.1	2292.37	1978.78	1977.82	3637.63	6.78	1.06	13.86	37.46	866.40
NON-CYCLICAL CONS GOODS(85)	6062.42	-1.8	7015.71	6174.96	6255.87	5962.70	2.04	1.59	30.89	63.97	2450.95
Beverages(9)	3663.78	+0.1	4239.89	3659.72	3668.56	4157.98	2.88	1.94	17.91	47.14	1488.06
Food Producers & Processors(23)	3273.76	+0.7	3788.54	3251.06	3284.65	4120.98	2.82	2.11	18.10	21.56	1614.79
Health(14)	2584.48	+0.7	2990.87	2567.48	2563.03	2328.11	1.87	1.83	29.11	8.05	1674.50
Packaging(11)	1753.13	+0.8	2028.80	1738.51	1735.74	2217.47	5.82	2.11	8.15	47.11	832.30
Personal Care & Hse Prods(4)	1985.06	-1.0	2297.21	2004.79	1977.38	3637.83	4.00	1.66	19.18	40.18	869.41
Pharmaceuticals(21)	11388.67	-2.8	13178.48	11722.95	11925.72	10171.04	1.49	1.28	52.36	105.45	4143.62
Tobacco(3)	6390.21	-2.1	7395.04	6525.80	6531.37	4721.57	4.89	1.30	16.35	191.28	1873.39
CYCLICAL SERVICES(228)	3989.35	+0.7	4593.52	3941.69	3919.28	3448.80	2.18	2.09	22.00	16.43	2217.85
Distributors(25)	2063.46	-0.3	2387.93	2069.45	2057.07	2878.04	3.77	1.85	14.37	16.39	835.41
General Retailers(41)	2462.96	+1.3	2850.27	2432.03	2413.25	2401.80	2.50	2.02	19.83	11.38	1531.64
Leisure, Entertmt & Hotels(31)	3990.44	+2.5	4617.92	3894.45	3800.73	3927.57	2.10	2.49	19.10	48.40	2310.91
Media & Photography(45)	5433.70	+0.8	6288.12	5388.72	5433.87	4473.13	1.68	1.96	30.32	35.91	2091.06
Rests, Pubs & Breweries(22)	3699.71	-0.4	4281.47	3713.65	3711.78	4423.53	2.78	2.17	16.69	17.00	1929.00
Support Services(35)	5314.26	+0.2	6149.90	5304.37	5204.75	4899.91	1.54	2.16	30.05	5.93	3526.31
Transport(29)	3603.46	-0.3	4170.08	3615.99	3589.18	3561.79	2.50	2.07	19.33	28.59	1639.88
NON-CYCLICAL SERVICES(22)	4093.85	-0.6	4737.58	4119.86	4069.63	3448.80	1.39	1.79	40.18	14.38	2286.20
Food & Drug Retailers(13)	2457.99	-0.6	2844.49	2472.68	2478.30	3110.91	2.89	2.16	15.49	6.37	1699.26
Telecommunications Services(9)	6513.52	-0.6	7537.73	6555.37	6457.51	3838.77	1.09	1.59	57.51	4.51	3213.14
UTILITIES(20)	3750.33	-0.6	4340.05	3772.38	3775.75	3828.98	3.59	1.59	18.45	16.48	1832.32
Electricity(7)	4218.67	-1.1	4882.04	4266.49	4266.71	4277.88	3.78	1.26	20.95	21.24	2532.42
Gas Distribution(2)	3102.47	----	3590.32	3103.28	3100.04	2784.70	1.81	2.40	23.02	0.00	1808.44
Water(11)	2982.93	-0.1	3451.98	2988.97	3001.15	3491.32	5.19	2.04	9.45	24.10	1894.54
INFORMATION TECHNOLOGY(39)	1815.79	+0.1	2101.32	1813.71	1803.54	1470.94	0.40	4.57	54.81	51.98	1827.56
Information Tech Hardware(4)	1941.62	-2.1	2246.93	1982.56	1887.71	1470.94	0.13	6.97	80.00†	51.91	1954.13
Software & Computer Services(35)	1801.12	+0.4	2084.33	1794.04	1793.73	1470.94	0.43	4.49	51.46	51.98	1812.60
NON FINANCIALS(580)	2962.17	-0.4	3427.98	2973.95	2969.80	2804.79	2.25	1.65	26.89	19.92	2461.53
FINANCIALS(238)	5926.49	-0.4	6858.40	5947.71	5787.53	5895.73	2.36	1.85	22.86	74.66	2813.21
Banks(12)	9447.71	-0.7	10933.31	9517.64	9148.69	8766.00	2.32	1.98	21.83	129.67	3401.90
Insurance(20)	2389.73	-0.5	2765.51	2402.64	2372.80	2859.97	2.73	1.92	19.05	29.62	2028.63
Life Assurance(7)	6870.35	+1.3	7950.68	6781.42	6740.93	7640.26	2.62	1.68	22.68	74.88	3131.80
Investment Companies(118)	3932.29	-0.1	4550.62	3936.32	3887.54	3858.56	1.78	1.11	50.42	23.72	1455.59
Real Estate(50)	1897.55	-0.2	2195.93	1901.49	1898.03	2382.72	2.99	1.57	21.36	10.41	1271.65
Specialty & Other Finance(31)	4398.39	+0.6	5090.01	4370.50	4333.03	4972.73	1.98	2.08	24.22	37.40	2741.00

Hourly movements

	8.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6478.3	6484.1	6471.0	6483.6	6454.8	6451.5	6413.5	6483.6	6489.7	6405.2
FTSE 250	5501.4	5502.2	5505.3	5506.8	5510.6	5515.4	5514.5	5513.4	5516.5	5499.2
FTSE SmallCap	2414.93	2416.19	2417.30	2418.14	2418.79	2419.25	2419.91	2420.37	2420.79	2414.93
FTSE All-Share	2965.57	2960.42	2963.30	2968.16	2957.75	2957.09	2942.77	2961.35	2970.35	2939.64

Time of FTSE 100 Day's high: 11:50:00 Day's low: 14:43:00. FTSE 100 1998/99 High: 6473.2 (07/04/99) Low: 5770.2 (10/02/99)
Time of FTSE All-Share Day's high: 11:50:00 Day's low: 14:43:00. FTSE All-Share 1998/99 High: 2983.26 (07/04/99) Low: 2654.82 (14/01/99)

Further information is available on http://www.ftse.com. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name changes: Old English Pubs to Old English Inns (FTSE SmallCap); Scoot to Tarpan (FTSE Fledgling). Deletions: Tela (FTSE Fledgling); Barbour (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	981	644½	-18½
AMVESCAP	2,471	598	-15½
ASDA Group	6,827	149	+1¾
Abbey National	4,374	1356	+18
Alliance & Leicester	3,117	906	+½
Allied Domecq	3,242	480½	-4
Allied Zurich	2,760	887½	-8
[illegible]	[illegible]	[illegible]	[illegible]
Glaxo Wellcome	7,465	2097	-86
Granada	3,616	1350	+44
GUS	5,305	713	+48
GRE	232	366½	-2
GKN	1,251	984½	+13½
HSBC (75p shs)	4,311	2200	-12
HSBC (HK$10)	4,732	2170	+3
Halifax	7,434	806	-14
Hanson	1,581	553½	+17½
Hays	1,459	706	-5½
ICI	842	589½	-17½
Imperial Tobacco	1,321	623½	-17
Kingfisher	3,847	851½	+25½
Ladbroke	14,476	287½	+8
Land Securities	807	815½	+3
Legal & General	4,763	748	+21
Lloyds TSB	12,344	988	-11
LucasVarity†	108	297½	-1
Marks & Spencer	13,128	423½	-13
Misys	1,435	586½	+6
NatWest Bank	4,421	1503	-12½
National Grid	3,587	454½	-12½
National Power	4,454	482½	+1½
Next†	8,216	789	-15
Norwich Union	4,383	448	-2
Nycomed Amersham	2,452	437½	-2½
Orange	1,882	961	-35
Pearson	1,358	1300	-5
P & O	2,071	825½	+4
PowerGen	2,763	710	+18
Provident Financial†	271	1070	+48
Prudential	3,277	817½	+18½
Railtrack	3,514	1297	-7½
Reckitt & Colman	1,083	670½	-3
Reed Intl	12,047	578	+25
Rentokil Initial	4,835	403½	-1
Reuters	4,343	974½	+10½
Rio Tinto	8,161	902½	+16½
Rolls Royce	4,125	272½	-½
Royal & Sun Alliance	3,149	582½	+3
Royal Bank Scotland	1,670	1359	+½
Sainsbury	20,812	384½	+¾
Schroders	478	1500	+19
Schroders N/V	13	1266	-33
Scottish & Newcastle	2,950	636½	-½
Scot. & Sthn Energy	3,854	558½	-16
Scottish Power	5,583	518½	-3
Securicor	5,824	576½	+3½
Sema Group†	769	721½	+17½
Severn Trent	712	839	+8½
Shell Transport	15,692	408	-13½
SmithKline Beecham	5,346	890	-21
Smiths Inds	596	879	+7
Sth African Breweries	1,614	538½	-4
Stagecoach	7,157	276½	-½
Standard Chartered	2,781	958	-16½
Sun Life & Provincial	328	518½	+8
Tele-West Comms.	8,042	300½	-19½
Tesco	21,113	158¼	-3¼
Thames Water	1,493	907½	-½
Unilever	17,012	553½	-½
Utd. News & Media	1,433	808½	-1½
United Utilities	1,381	730	-3½
Vodafone	10,161	1192	-½
WPP	2,983	521½	-½
Whitbread	673	935½	-16½
Woolwich	3,007	398	+2¼

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30p.m. ‡ Indicates a FTSE 100 index reserve. All trades are rounded. Source: Financial Times Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 8 / 1 € = 13.7603 Sch)

BELGIUM/LUX (Apr 8 / 1 € = 40.3399 Frs)

FINLAND (Apr 8 / 1 € = 5.94573 Mka)

FRANCE (Apr 8 / 1 € = 6.55957 Frs)

GERMANY (Apr 8 / 1 € = 1.95583 Dm)

IRELAND (Apr 8 / 1 € = 0.78756 Punt)

ITALY (Apr 8 / 1 € = 1936.27 Lire)

NETHERLANDS (Apr 8 / 1 € = 2.20371 Fl)

PORTUGAL (Apr 8 / 1 € = 200.482 Esc)

SPAIN (Apr 8 / 1 € = 166.386 Pta)

EUROPE (NON-EMU)

CZECH REP (Apr 8 / Koruna)

DENMARK (Apr 8 / Kr)

GREECE (Apr 8 / Drachma)

NORWAY (Apr 8 / Kroner)

POLAND (Apr 8 / Zloty)

SWEDEN (Apr 8 / Kronor)

SWITZERLAND (Apr 8 / Frs.)

TURKEY (Apr 8 / Tk Lira)

PACIFIC

JAPAN (Apr 8 / Yen)

AUSTRALIA (Apr 8 / Aus$)

HONG KONG (Apr 8 / H.K.$)

INDONESIA (Apr 8 / Rupiah)

MALAYSIA (Apr 8 / MYR)

NEW ZEALAND (Apr 8 / NZ $)

SINGAPORE (Apr 8 / S$)

SOUTH KOREA (Apr 8 / Won)

TAIWAN (Apr 8 / TW $)

THAILAND (Apr 8 / Baht)

AMERICAS

CANADA

TORONTO (Apr 8 / Can $)
4 pm close

MONTREAL (Apr 8 / Can $)
4 pm close

MEXICO (Apr 8 / Peso)
12.30pm

AFRICA

SOUTH AFRICA (Apr 8 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	WEDNESDAY APRIL 7 1999: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 6 1999: US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (75)	217.18	-0.4	201.82	166.27	231.65	230.18	-0.4	3.28	217.96	203.26	166.78	233.21	231.01	219.96	163.86	214.16
Austria (21)	183.61	0.0	170.62	140.57	172.81	172.81	-0.4	2.04	183.67	171.28	140.54	173.41	173.41	253.73	165.27	223.08
Belgium (22)	372.90	1.5	348.53	285.58	343.63	343.63	1.2	1.57	367.39	342.80	281.11	339.61	339.61	446.95	314.38	314.38
Brazil (29)	148.49	2.6	137.99	113.69	158.38	472.86	2.8	4.46	144.73	134.96	110.74	154.86	460.20	269.34	89.32	262.71
Canada (113)	217.61	0.8	202.22	166.60	232.11	236.38	0.5	1.66	215.83	201.27	165.15	230.94	235.13	248.78	158.94	242.73
Denmark (34)	435.12	1.5	404.35	333.13	464.12	407.32	1.2	1.82	428.68	399.76	328.01	458.68	402.62	537.33	406.62	517.84
Finland (29)	697.38	0.0	648.06	533.92	808.06	808.06	-0.3	1.45	697.30	650.26	533.55	808.49	808.49	697.38	338.49	388.35
France (74)	328.36	0.5	305.14	251.40	312.97	312.97	0.2	1.95	326.75	304.71	250.02	312.41	312.41	354.45	253.86	299.59
Germany (55)	258.04	1.9	239.79	197.56	243.04	243.04	1.6	1.63	253.14	236.07	193.78	239.18	239.18	325.61	226.35	282.83
Greece (35)	415.03	7.5	385.68	317.75	442.69	895.04	7.1	1.24	385.88	359.85	295.27	412.89	835.50	454.89	211.47	–
Hong Kong, China (66)	336.81	4.1	312.99	257.86	359.25	335.07	4.1	3.39	323.51	301.69	247.54	346.15	321.90	341.93	196.64	335.41
Indonesia (24)	45.24	-0.2	42.04	34.63	48.25	241.43	-0.4	1.29	45.30	42.25	34.66	48.47	242.49	64.52	19.04	58.91
Ireland (14)	541.91	0.1	503.59	414.90	557.05	557.05	-0.2	1.85	541.58	505.05	414.40	558.46	558.46	605.85	396.15	510.66
Italy (53)	172.84	0.2	160.62	132.33	231.51	231.51	-0.1	1.49	172.47	160.83	131.97	231.74	231.74	192.64	128.68	172.75
Japan (443)	114.33	0.0	106.29	87.57	122.00	87.57	0.1	0.84	114.35	106.63	87.50	122.35	87.50	114.38	78.83	94.42
Mexico (29)	1546.66	-1.0	1437.28	1184.14	1649.74	16063.16	-0.8	1.59	1562.01	1456.64	1195.21	1671.33	16185.04	1733.73	787.15	1619.86
Netherlands (26)	495.87	1.3	460.80	379.64	461.99	461.99	0.9	2.02	489.68	456.66	374.70	457.66	457.66	562.73	394.82	494.29
New Zealand (18)	61.84	-1.3	57.47	47.35	65.97	61.82	-1.6	3.88	62.68	58.45	47.96	67.06	62.84	76.03	45.68	73.02
Norway (37)	240.21	0.0	223.22	183.91	256.22	252.60	0.0	1.95	240.15	223.95	183.76	256.96	252.58	357.71	181.88	337.31
Philippines (22)	93.55	1.3	86.94	71.62	99.79	179.49	1.2	0.82	92.36	86.13	70.67	98.62	177.43	101.69	42.48	99.48
Portugal (18)	231.65	0.4	215.27	177.36	294.45	294.45	0.1	1.12	230.63	215.08	176.47	294.07	294.07	299.39	194.13	–
Singapore (40)	235.01	1.0	218.39	179.93	250.67	187.77	1.0	1.44	232.71	217.01	178.06	248.99	185.84	235.01	102.45	217.19
South Africa (34)	205.14	-0.2	190.63	157.06	218.81	278.98	-0.1	3.47	205.49	191.63	157.24	219.88	277.24	346.20	151.55	322.34
Spain (58)	376.74	0.6	350.10	288.44	439.89	439.89	0.2	1.60	374.70	349.42	286.71	438.87	438.87	435.19	290.81	393.58
Sweden (41)	550.05	-0.3	511.15	421.13	586.71	674.33	0.0	2.01	551.56	514.36	422.04	590.16	674.69	628.19	379.18	573.11
Switzerland (30)	392.59	1.0	364.83	300.57	418.75	359.78	-0.7	1.19	388.69	362.47	297.42	415.89	357.44	441.65	307.73	401.72
Thailand (26)	25.17	4.2	23.39	19.27	26.85	35.87	3.9	2.25	24.16	22.53	18.49	25.85	35.47	28.11	8.15	26.63
United Kingdom (201)	402.21	1.3	373.77	307.94	429.02	373.77	1.0	2.27	397.82	370.24	303.79	424.80	370.24	402.21	307.96	396.78
USA (807)	546.81	0.6	508.14	418.64	583.25	546.81	0.6	1.22	543.58	506.91	415.93	581.62	543.58	546.81	390.12	453.13
Americas (778)	488.22	0.8	451.84	372.26	518.63	412.45	0.6	1.25	483.32	450.71	369.82	517.14	410.02	486.22	347.59	410.88
Europe (721)	360.11	1.1	334.65	275.71	384.11	347.41	0.8	1.89	358.21	332.18	272.56	381.14	344.72	386.24	282.63	356.93
Euro-bloc (342)	101.67	1.0	94.48	77.84	103.65	103.65	0.6	1.76	100.71	93.92	77.06	102.99	102.99	113.92	81.53	–
Nordic (141)	529.22	0.1	491.79	405.18	564.49	559.67	0.0	1.80	528.68	493.01	404.53	565.69	559.38	555.97	360.04	502.38
Pacific Basin (714)	121.87	0.3	113.25	93.31	129.99	95.96	0.4	1.29	121.47	113.28	92.95	129.97	95.61	121.87	82.88	105.48
Euro-Pacific (1435)	220.64	0.9	205.04	168.93	235.35	190.37	0.8	1.70	218.77	204.01	167.40	234.06	189.13	221.79	166.00	210.28
North America (720)	524.51	0.6	487.42	401.57	559.47	525.37	0.6	1.23	521.37	486.20	398.94	557.86	522.28	524.51	374.92	439.73
Europe Ex. UK (520)	328.10	1.0	304.90	251.20	349.97	324.38	0.7	1.88	324.91	302.99	248.61	347.65	322.17	366.32	260.93	326.24
Europe Ex. Eurobloc (379)	100.76	1.2	93.64	77.15	107.48	104.29	0.9	2.02	99.53	92.82	76.16	106.50	103.34	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (178)	97.14	1.1	90.27	74.37	103.62	98.75	0.9	1.43	96.11	89.62	73.54	102.83	97.92	109.21	75.16	–
Pacific Ex. Japan (271)	197.69	1.6	183.71	151.35	210.86	203.04	1.6	3.13	194.38	181.48	148.89	208.20	199.89	206.83	128.26	202.98
World Ex. Eurobloc (1905)	113.18	0.7	105.18	86.65	120.72	113.03	0.6	1.40	112.43	104.85	86.03	120.30	112.34	113.18	83.09	–
World Ex. US (1640)	220.67	0.8	205.06	168.95	235.38	195.86	0.6	1.73	218.83	204.06	167.44	234.14	194.60	221.91	165.95	214.31
World Ex. UK (2046)	318.41	0.6	295.90	243.78	339.64	289.68	0.5	1.36	316.39	295.05	242.09	338.54	288.01	318.41	236.11	281.34
World Ex. Japan (1804)	431.09	0.8	400.61	330.05	459.83	428.02	0.7	1.53	427.70	398.85	327.27	457.64	425.12	431.09	320.58	388.82
The World Index (2247)	325.66	0.7	302.63	249.33	347.36	297.41	0.6	1.46	323.36	301.55	247.43	345.99	295.59	325.66	242.36	291.08

Emerging markets:

IFC investable indices

Dollar terms

Apr 07 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	839.72	+1.2	+5.3
Brazil	304.66	+2.1	+10.8
Chile	539.84	+1.2	+19.6
Colombia[1]	370.60		-15.6
Mexico	641.91	-0.9	+33.3
Peru[2]	141.79	-0.2	+5.5
Venezuela[3]	362.72	-2.8	-15.6
East Asia			
China[4]	25.45	+3.8	-2.8
India[7]	74.77	+0.2	+16.5
Indonesia[8]	22.77	+0.3	-5.9
Korea[4]	82.51	+0.8	+17.9
Malaysia	84.71	-0.3	-4.3
Pakistan[9]	104.82	+0.7	+10.8
Philippines	129.27	+1.2	+5.0
Sri Lanka[10]	65.57	+1.4	-20.4
Taiwan, China[6]	130.97	-0.2	+13.1
Thailand	61.93	+2.9	-2.1
Europe			
Czech Rep	44.93	+1.2	-11.5
Greece	748.23	+7.6	+20.8
Hungary[12]	244.22	+0.6	-13.0
Poland[12]	549.43	+2.5	+4.9
Russia	35.82	-2.1	+51.9
Slovakia	32.96	-4.4	-34.4
Turkey[11]	237.05	-0.2	+62.0
Mideast/Africa			
Egypt	71.07	+0.1	+10.3
Israel	123.45	+0.1	+20.8
Jordan	230.45	-0.5	+8.4
Morocco	154.55	-0.6	-7.8
S Africa[13]	143.04	-0.1	+14.2
Zimbabwe[14]	133.86	+1.0	+27.1
Regions			
Composite	213.31	+0.9	+14.2
Latin America	491.45	+0.6	+17.1
Asia	118.77	+0.6	+11.0
EMEA	130.38	+1.6	+14.1
Europe	172.70	+3.5	+15.3
Eastn Europe	80.61	+0.4	+4.3
ME & Africa	60.75	-0.1	+13.3
Comp + Malay	214.08	+0.8	+13.0
Asia + Malay	116.52	+0.4	+7.8

Base date: Dec 1988=100 except those noted which are (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1996; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1997; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992 (13)... Latest values were unavailable for this edition.

■ FT Free Annual Reports Club

4 pm close April 8

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 7	Apr 6	Apr 5	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10085.31	9963.49	10007.33	10085.31 (7/4)	9120.67 (22/1)	10085.39 (7/4/99)	41.22 (8/7/32)
Home Bonds	104.06	104.13	104.02	108.88 (13/1)	103.95 (1/4)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3338.87	3325.12	3353.40	3433.07 (18/3)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	292.37	293.57	297.23	311.91 (4/1)	286.44 (12/2)	328.51 (9/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 10166.62(10087.25) Low 9860.98 (9862.48) (Theoretical) Day's high 10089.75(10030.37) Low 9955.16 (9915.78) (Actual)

Standard and Poors	Apr 7	Apr 6	Apr 5	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1326.89	1317.89	1321.12	1326.89 (7/4)	1212.19 (14/1)	1326.89 (7/4/99)	4.40 (1/6/32)
Industrials‡	1597.20	1591.46	1593.19	1597.20 (7/4)	1461.72 (14/1)	1597.20 (7/4/99)	3.52 (30/6/32)
Financial‡	144.87	141.46	142.52	145.47 (15/3)	123.72 (9/2)	147.86 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	616.23	612.32	614.83	617.61 (18/3)	576.62 (9/2)	617.61 (18/3/99)	4.64 (25/4/42)
Amex Comp	717.30	715.21	721.24	721.65 (11/3)	683.81 (4/1)	763.87 (22/4/98)	534.20 (16/7/98)
NASDAQ Cmp	2544.43	2563.17	2560.06	2563.17 (6/4)	2208.05 (4/1)	2563.17 (6/4/99)	54.87 (3/10/74)
Russell 2000	397.77	401.08	402.29	433.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	123.98 (7/12/93)

US DATA

MARKET ACTIVITY

Volume (million)	Apr 7	Apr 6	Apr 5
NYSE	816.410	787.510	695.830
Amex	34.146	29.012	27.571
NASDAQ	1279.397	1120.17	983.255

NYSE TRADING ACTIVITY

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
AmOnLne	32,602,800	156¼	−11¼
LucentTch	22,059,200	64	−¾
Compaq	14,971,200	30¼	−¼
Citigrp	12,555,200	71⅞	+4⅞
PhMor	12,308,300	33⅜	−1⅞
Disney	12,014,700	33	+2¼
AT&T	8,558,900	84⅞	+4⅝
Gillte	8,461,600	51⅞	+1⅞
Tycoln	5,846,700	72⅞	−1¼
IBM	5,820,500	186¾	+2⅞

NASDAQ TRADING ACTIVITY

Volume :1,279,397,800

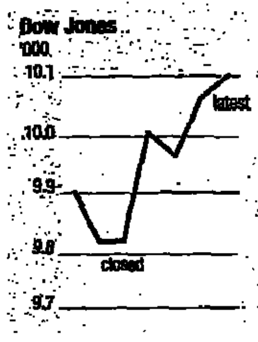
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
NorkAs	54,307,100	16	−5⅞
DellCmp	50,428,200	46⅞	−¾
Oracle	48,576,700	21⅞	−2¼
MCIWcm	33,342,000	86	−3⅞
Micsft	23,035,700	93⅞	−¾
Cmpwre	19,577,900	17⅞	−2⅞
3Com	17,841,300	20¾	−1⅞
Yahoo	17,341,100	208⅞	−6⅞
CiscoSys	16,825,400	118¾	+3¾
SunMic	16,778,800	138¾	−1¾

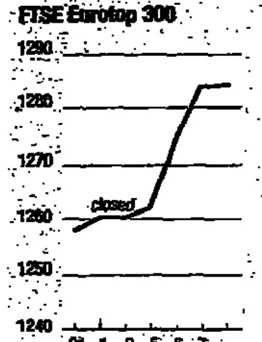
BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Spyglass	13¾	+4¾	+53.5
TV Guide	45	+6¾	+17.6
AllgTel	35	+4¾	+16.2
ChkFre	54⅞	+7	+14.9
Downs			
NorkAs	16	−5⅞	−27.1
Marchst	27¾	−8⅞	−24.5
IntBwSv	35½	−8¼	−18.9
NwEraNw	57¾	−12¾	−17.6

Dow Jones



FTSE Eurotop 300



JAPAN

GERMANY

FRANCE

UK

RATIOS

	Mar 26	Mar 19	Mar 12	Year ago
Dow Jones Ind. Div. Yield	1.61	1.60	1.60	1.30
	Apr 7	Mar 31	Mar 24	Year ago
S & P Ind. Div. yield	1.07	1.11	1.13	1.33
S & P Ind. P/E ratio	41.63	40.39	39.72	30.27

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1308.50	1336.00	+2.60	1340.60	1322.00	92,865	369,153
Sep	1353.00	1345.50	−0.80	1353.50	1335.00	97	4,969
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	16560.0	16780.0	+280.0	16870.0	16460.0	42,424	215,725
Sep	16500.0	16810.0	+310.0	16810.0	16500.0	659	4,997

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low
Mar	4335.0	4339.0	+22.0	4357.5	4297.5
Apr	4331.5	4327.0	+22.0	4331.5	4331.5
DAX					
Jun	5067.0	5085.0	+60.0	5095.0	5007.0
Sep	5113.5	5119.0	+49.0	5116.0	5062.0

WORLD MARKETS AT A GLANCE

Country	Index	Apr 8	Apr 7	Apr 6	1999 High	1999 Low	Yield	P/E
Argentina	General	17998.44	17998.79	17848.36	18103.16 6/1	14484.80 14/1	3.81	14.3
Australia	All Ordinaries	3058.2	3029.6	3032.9	3058.20 8/4	2804.80 14/1	2.97	23.3
	All Mining	556.5	558.3	568.0	613.50 12/1	558.59 8/4		

News Corp lifted a further 5.3 per cent, extending its gains to 24.1 per cent since March 29.

Country	Index	Apr 8	Apr 7	Apr 6	1999 High	1999 Low	Yield	P/E
Austria	ATX Index	1203.84	1203.51	1207.12	1213.35 16/3	1011.25 22/1	1.95	13

Ended little changed, with builder Wienerberger up 2.2 per cent.

Country	Index	Apr 8	Apr 7	Apr 6	1999 High	1999 Low
India	BSE Sens.	3538.17	3586.80	3589.47	3784.17 9/3	3122.84
	S & P CNX 500	714.70	732.41	716.75	758.26 31/3	628.19

Ended lower as political worries resurfaced.

Country	Index	Apr 8	Apr 7	Apr 6	1999 High	1999 Low
Indonesia	Jakarta Comp.	400.00	395.91	395.51	457.94 7/1	372.31

Telkom and tobacco leaders Gudang Garam and Sampoerna made good gains while in broader market falls

Country	Index	Apr 8	Apr 7	Apr 6	1999 High	1999 Low
Ireland	ISEQ Overall	5378.29	5375.97	5362.74	5490.42 22/3	5064.95

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 8

AMEX

4 pm close April 8

EASDAQ

STOCK MARKETS

Wall St and banks spread ring of confidence

WORLD OVERVIEW

Share prices maintained their upward momentum yesterday, with central bank action offering the prospect of further gains, *writes Philip Coggan.*

Wall Street had closed at yet another all-time high on Wednesday and some of its confidence was passed through to Tokyo, where the Nikkei 225 average gained 1.8 per cent to reach its highest level since March 1998. The Hang Seng index in Hong Kong continued its strong run, gaining another 1 per cent.

In Europe, all eyes were on the two central banks making interest rate decisions.

The Bank of England duly obliged with a quarter of a percentage point cut in UK rates but the markets were closed by the time the European Central Bank announced its surprise cut of half a percentage point to 2.5 per cent. Plum Shipton, European strategist at Merrill Lynch, said the size of the cut was unexpected but might well indicate that this is a one-off move and that further cuts in the short term are unlikely.

European stock markets lagged the rest of the world in the first quarter of the year and the rate cut may help spur a catch-up in the continent's bourses. European government bond prices and the euro both rose in response to the news.

Wall Street was mixed at the start but received support from in-line earnings figures from General Electric and better-than-expected figures from the internet group Yahoo!, which were released after the market closed on Wednesday.

Michael Farr, president of Farr, Miller & Washington, a Washington-based financial consulting group, said the US market was overvalued but "the trend towards overvaluation will continue and that which has been expensive will become even more expensive". Before a correction could be triggered, there needed to be an "absence of worry" on Wall Street that would indicate overconfidence had set in.

One of the few factors to concern investors in recent weeks has been the bounce in oil prices, which has raised question marks about the assumption that inflation would be low for the foreseeable future.

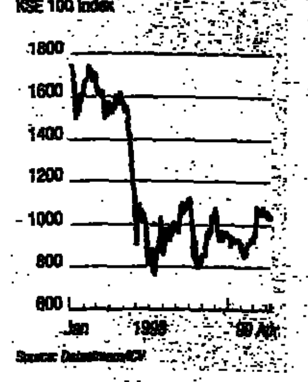
"Commodities have risen 12 per cent this year, led by a 40 per cent surge in oil prices," said the strategy team at Goldman Sachs.

"We expect further gains in commodities going forward, although the rise will be more muted."

But the Goldman Sachs team added that its forecast of moderate commodity price rises "is unlikely to pose an inflation threat in a world with so much spare capacity".

EMERGING MARKET FOCUS

Power at hub of Karachi unease



Pakistani shares fell more than one per cent yesterday, the latest sign of investor anxiety in spite of government claims that the economy was over the worst of last year's crisis.

The KSE-100 index ended 13.51 lower at 1,034.99. Although this leaves the benchmark sitting on a gain of more than 8 per cent for this year so far, analysts warn it is still too early to hail a recovery.

Analysts' concerns were triggered by the unresolved controversy surrounding the private power generation companies. The government of Prime Minister Nawaz Sharif has spent much of its two years in office investigating alleged corruption in the sector, once seen as the most important example of foreign investment in Pakistan in the 1990s.

The power groups were accused of bribing officials in order to receive high tariffs for their electricity. Under pressure from foreign governments and multilaterals such as the World Bank, the government has said it wants to resolve the dispute amicably.

However, analysts say some government departments, especially the *ehtesab*, or accountability, group that spearheaded the investigations, are refusing to accept a settlement unless the companies drastically revise the tariffs.

Yasin Lakhani, chairman of the Karachi Stock Exchange, wants to see an immediate settlement on the dispute over tariffs between the government and Karachi's Hub power company, whose largest single shareholder is National Power.

This week a fresh drive at seeking a settlement was set in motion by Gauhar Ayub Khan, the minister of water and power. He told an energy conference that the government was giving "the highest priority" to settling the dispute.

However, Mr Lakhani said: "Every time the minister says something, the *ehtesab* group comes up with a counter-statement. The merit of the government's case is being undermined."

Analysts say the market is prone to sharp falls if there are indications that the dispute is about to intensify. However, they also point to the undemanding levels of many share prices.

According to Aijaz Abbasi, a stockbroker: "The moment that outstanding issues are resolved there will be a quick recovery. There is no reason why investors should not get good deals if they invest selectively."

However, there is little broad accord on when recovery could be achieved. Businessmen warn that many companies are likely to declare weak profits when they unveil half-yearly results in June.

Earnings are depressed because of losses carried over from last year when Pakistan faced western economic sanctions over nuclear tests. In the months following, Pakistan's industrial output fell sharply.

At the same time, restrictions on foreign exchange repatriation have led to a fall in imported raw materials, which in turn has created export weakness.

Farhan Bokhari

Dow looks ahead to sunny report season

AMERICAS

US stocks moved broadly higher in early trading on Wall Street, as investors looked forward to the forthcoming earnings season, *writes John Labate in New York.*

The Dow Jones Industrial Average was 77.70 stronger by early afternoon at 10,163.01. The broader Standard & Poor's 500 index was even higher in percentage terms, up 12.16 or 0.9 per cent at 1,339.04.

For a second day Walt Disney, up $1 to $33¾, was among the big gainers in the Dow, moving ahead after the company said it would reorganise its publishing business. Coca-Cola was up $2⅛ at $61 after analysts at Morgan Stanley Dean Witter reiterated its rating of "outperform."

However, weighing on the blue-chip index were Boeing, off $⅛ at $34⅞, and Sears Roebuck, down $1¼ at $44¾. General Electric was down $¾ to $113¾ after it reported earnings in line with expectations.

Internet shares were mostly higher, with Yahoo! down $1⅞ at $207 as investors continued to take profits after the company issued its earnings results late yesterday. Spyglass rose 29 per cent or $4 to $17¾ after announcing an $11m acquisition. Strength in the internet and software sectors helped push the Nasdaq composite index 17.97 higher at 2,562.40.

Software stocks, recently battered, made a strong rebound. Oracle was up $1⅞ or more than 8 per cent at $23⅛ and PeopleSoft climbed $¾ to $13¾. Computer producers were mixed, with Dell Computer down $⅝ at $45 11/16.

Health-linked stocks fell steeply after Humana, the healthcare provider, warned on its forthcoming earnings, sending its shares down 32 per cent at $11. Wellpoint Health Network was off 9.4 per cent or $7⅛ to $68 1/16 and Healthsouth lost $⅝ to $9⅞.

Small-company shares gained ground, sending the Russell 2000 index up less than one point to 398.13.

TORONTO opened higher, helped by selective buying in a handful of internet stocks. The 300 composite index had moved 48.67 or 0.7 per cent ahead to 6,685.40 at midsession.

Less-than-glamorous sapphire mining stock American Gem Corp captured the imagination of investors when it said it would start selling precious stones and jewellery over the internet. The company had risen a hefty 51 cents to 98 cents by midsession.

There was also sustained buying in internet auctioneer Bid.Com International, which gained C$4.20 to C$31 in early trading.

Among the blue chips to post gains, entertainment and beverage giant Seagram rose C$3 to C$86 in morning trading. The company said on Wednesday that it had sold some of its US assets to Networks Inc for an undisclosed sum.

Banks racked up some strong gains. Royal Bank of Canada added C$1.55 at C$74.55 and Toronto-Dominion C$1.45 at C$79.95. Canadian Imperial put on 80 cents at C$40.

Optimism in São Paulo fuels rise for Bovespa

SAO PAULO continued to rise as investors grew more optimistic about the economic outlook. The Bovespa index was up 140 or 1.2 per cent to 11,670 in early trading, a 9.1 per cent increase so far this month.

MEXICO CITY recouped earlier losses, with the IPC index posting a 8.67 or 0.1 per cent gain to 5,129.80 at midsession.

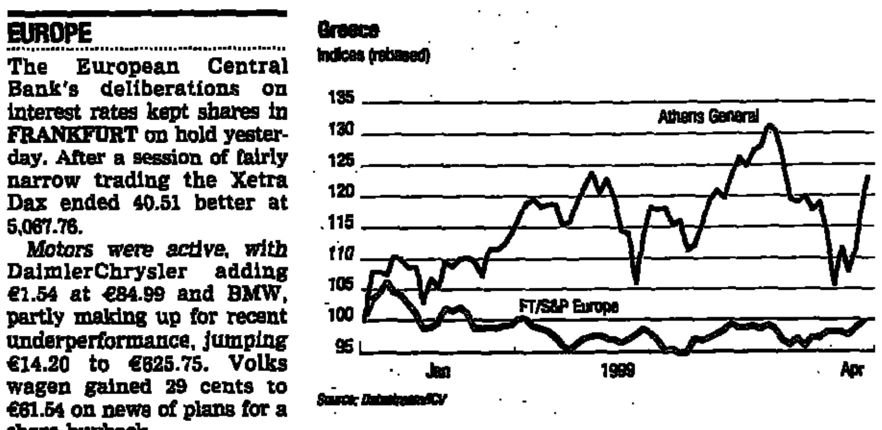
An early decline on Wall Street, which dampened sentiment in morning trading, was offset by hopes that the latest batch of inflation figures, due later in the day, would confirm the recent slow-down in inflation.

SANTIAGO rose steadily early on as domestic investors stepped up buying amid optimism about lower interest rates and talks of economic recovery.

The IPSA index was 1.47 or 1.2 per cent higher to 123.04 at midsession.

Dax caught in waiting game

EUROPE



The European Central Bank's deliberations on interest rates kept shares in FRANKFURT on hold yesterday. After a session of fairly narrow trading the Xetra Dax ended 40.51 better at 5,067.76.

Motors were active, with DaimlerChrysler adding €1.54 at €84.99 and BMW, partly making up for recent underperformance, jumping €14.20 to €625.75. Volkswagen gained 29 cents to €61.54 on news of plans for a share buyback.

Preussag was also a firm market, adding €27.90 at €527.90. Viag shed €5.20 at €486.50 and Karstadt, strong on Wednesday amid talk of imminent consolidation within the retail sector, fell back €5.48 to €341.50. Banks were mixed, with Deutsche Bank adding 55 cents at €48.30.

The FTSE Eurotop 300 index rose 0.37 or 0.03 per cent to 1,284.57. See Euro Prices page.

ZURICH stayed positive, adding 116.1 or 1.6 per cent to 7,332.9 on the SMI index, helped by firm bonds, a 3 per cent bounce for drugs leader Novartis and another active session for banks.

UBS, a strong market on Wednesday, gained a further SFr5.50 at SFr488.50 and CS Group added SFr7.50 at SFr286. Among pharmaceuticals, Novartis advanced SFr83 to SFr2,490. Brokers said the upturn was aided by investors switching out of Roche, which eased SFr15 to SFr18,325.

Among cyclicals, ABB rose SFr59 to SFr2,084 and Sulzer put on SFr15 at SFr970. Smaller tech shares continued to power ahead. Distefora surged SFr18.75 to SFr107.25 for a two-day gain of 35 per cent.

PARIS remained confined to a narrow range as investors paused ahead of the meeting of the ECB board. The blue-chip CAC-40 index settled 12.66 or 0.3 per cent higher to 4,330.70 after a negative spell when Wall Street opened flat.

L'Oréal posted solid gains, boosted by higher-than-expected sales figures for the first quarter of the year. Shares in the company rose €38.50 or 6.3 per cent to €651, the steepest advance in the CAC-40.

STMicroelectronics, up €4.90 or 5.1 per cent to €102, rose for the second day running, following overnight gains on Wall Street and hopes of another high-tech rally in the US.

Broadcaster TF1 gained €8.50 or 5 per cent to €179, following the company's decision to repurchase up to 10 per cent of its shares.

LVMH closed €4.40 higher to €232 despite news that its $85 per share offer for Gucci had been rejected by the Italian fashion house, which said it was nevertheless open to further talks with the luxury goods group. Trading in Amsterdam, Gucci closed €1.35 lower at €71.75.

Bank shares tumbled after Warburg cut its rating on Société Générale, Paribas and BNP, saying the outcome of BNP's bid for its two rivals would not be known until June. BNP lost €3.90 to €72.60, while SocGen shed €4.90 to €102 and Paribas fell €2.95 to €99.55.

AMSTERDAM ended lower after a session that focused mostly on special situations. The AEX index lost 4.88 at 537.67.

Royal Dutch was a weak market, falling €1.25 to €47.90 in 9.5m shares traded, on worries about disruption to operations in Nigeria.

Elsewhere among international stocks, Unilever eased 65 cents to €62.15.

Elsevier, down 4.1 per cent in two sessions, rallied in active trading on renewed speculation that it may link with rival media group Wolters Kluwer. The stock rose 65 cents to €14.10 in trading volume of 8.8m shares.

KPN ran up against broker pessimism, losing 65 cents to €38.80 after Goldman Sachs cut earnings estimates and its target price for the telecoms leader as a result of regulatory uncertainties. KLM lost 75 cents at €25.20 on dull traffic figures.

Van Ommeren, the storage and shipping group, fell steeply following a warning of a fall of between 10 and 20 per cent in earnings this year. The shares ended off €3.10 or 10.3 per cent at €26.90.

ATHENS gained ground for the third day running, adding 85.87 at 3,535.66 on the general index for an advance of almost 10 per cent since the close on Monday. The better tone stemmed from hopes for an end to hostilities in Kosovo plus recent positive inflation news.

March inflation slackened to 3.4 per cent from 3.7 per cent in February and helped dispel some of the doubts surrounding Greece's entry to the European Union.

STOCKHOLM rose healthily throughout the day before weakening on a late bout of profit-taking. The general index closed virtually unchanged at 3,552.86.

ABB rose SKr4.50 or 4.3 per cent to SKr110 after Swiss telecommunications company Ascom said it would buy ABB's Power Supplies unit.

Forestry companies SCA, up SKr5 to SKr191.50, and MoDo, SKr1.50 higher to SKr187.50, rose on hopes of a rise in pulp prices.

Shares in Skandia plunged SKr11.50 or 6.9 per cent to SKr154 after Morgan Stanley cut its recommendation for the insurance company. The fall, which follows a 15.1 per cent rise last week, made it the sharpest decliner across European bourses.

Written and edited by Jeffrey Brown, Bertrand Benoit, Paul Gregan and Julian Summers

Jo'burg suffers profit-taking

SOUTH AFRICA

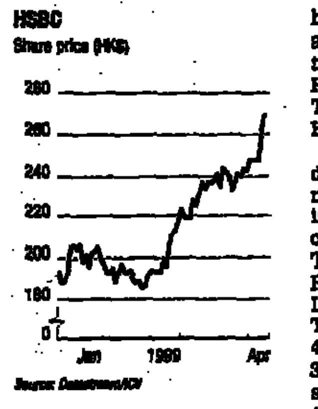
Shares in Johannesburg again traded narrowly, closing with another round of modest losses on the all-share index, which ended off 0.6 at 8,403.4.

Financials met with selling as investors interpreted cuts in bank prime lending rates as a signal for profit-taking. The sector index shed 1.2 per cent to 9,051.7.

Industrials lost 0.6 per cent at 7,403.6 and golds also softened, losing 0.8 per cent at 2,870.2.

Foreign forces drive up Tokyo

ASIA PACIFIC



Pushed higher by Wall Street's strong overnight close and foreign demand for technology shares, TOKYO closed at its highest level for more than 12 months, *writes Paul Abrahams.*

The Nikkei 225 Average closed up 292 or 1.8 per cent at 16,846 after trading between 16,866 and 16,483. The more representative weighted Nikkei 300 gained 1.4 per cent or 3.63 to 269.92, while the Topix index of all first-section shares added 1.5 per cent or 20 at 1,345. Momentum was positive, with 882 stocks gaining and 361 falling.

Overseas buying drove up technology stocks. Softbank, the internet group, hit an all-time high, up Y2,000 or 12.3 per cent at Y18,210. Yoshitomi, the drugs group whose president is giving presentations in Europe next week, gained 17.5 per cent or Y200 to Y1,340.

The telecoms sector was also in demand, up 3.4 per cent. NTT DoCoMo, the mobile telecoms group, gained Y300,000, ending at Y6,370,000. NTT Data climbed Y47,000 to close at Y950,000, up 5.2 per cent.

Steel stocks continued their recent rise, up 3.3 per cent. Nippon Steel was the most heavily traded stock, up Y2 at Y267. Kobe Steel gained Y5 to Y107, Kawasaki Steel Y13 to Y230 and NKK Y3 at Y85.

In Osaka, the OSE index closed up 281 at 18,056.

HONG KONG hit another 12-month high, but ended well short of the best of the session following spasmodic profit-taking late in the day. Volume was again heavy and the Hang Seng index ended up 112.97 at 11,727.84 after touching a best-of-session 11,889.34. Turnover was HK$8.6bn.

The Hang Seng index has risen by 655 or almost 6 per cent in two days; again the main driving force was heavyweight HSBC, which accounts for 29.5 per cent of the benchmark and gained HK8 at HK$269. Hongkong Telecom added 25 cents at HK$16.25.

BOMBAY moved lower in dull volumes after the resignation of two coalition ministers renewed political concern. Among leading stocks, Telco shed Rp5.20 at Rp149.50 and Hindustan Lever Rp33.25 at Rp2,199. The BSE Sensex index ended 48.42 or 1.4 per cent lower at 3,538.38. The number of shares traded slipped to 45.7m from 51.2m on Wednesday.

TAIPEI hit a four-month high, propelled by sustained buying in the heavily weighted electronics sector. The weighted index settled 137.52 or 1.9 per cent higher at 7,273.41 despite a late bout of profit-taking.

The technology sub-index rose 3.4 per cent, while turnover for the market as a whole swelled to T$131.51bn, nearly double Wednesday's figure. Support from foreign funds lifted high-tech stock Acer Inc T$0.20 to T$48.50 while Tatung Co added T$1.30 to T$40.80.

BANGKOK closed 1.6 per cent higher but off earlier highs as buying gave way to profit-taking in late trading. The SET index moved 5.57 ahead to 365.09, with telecoms and bank issues posting substantial gains.

Thai Telephone rose Bt0.80 to Bt5.20 and Telecom Asia added Bt3.75 to Bt26.25 following the adoption of a media reform bill by the lower house of parliament on Wednesday. Bangkok Bank remained in the spotlight as the most active stock, adding Bt0.50 to Bt56.

SYDNEY pushed up to another record high in the wake of tentative hopes for an interest rate cut and a further strong performance by media giant News Corp. The All Ordinaries index added 26.6 at 3,056.2.

A much lower March employment figure than expected sparked hopes of an official rate cut, but most brokers were not sold on the prospect.

News Corp rose 75 cents or 5.5 per cent to A$14.27, helped by an upgrade to strong buy at Morgan Stanley Dean Witter.

Elsewhere, One.Tel jumped 70 cents or 7.2 per cent to A$10.40 on news that it had been granted a GSM mobile phone licence. Most banks gained ground, with Commonwealth adding 49 cents at A$27.38. Resource stocks traded quietly.